



# ENGLISH BANK BOOK-KEEPING

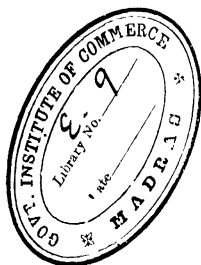
WITH AN INTRODUCTION ON  
THE THEORY AND PRACTICE OF  
ACCOUNTS

H. T. EASTON

ASSOCIATE OF THE INSTITUTE OF BANKERS

AUTHOR OF "THE WORK OF A BANK," "BANKS AND BANKING"  
"TALIE'S MODERN CAMBIST" (*Twenty-fourth Edition*)

REFERENCE



LONDON  
EFFINGHAM WILSON

54 THREADNEEDLE STREET, E.C.

1910

V61

SUR  
/

20600  
22M6

0/2

2M

# REFERENCE

## PREFACE.

THE welfare of the community is largely dependent upon the prosperity of our banking institutions, and as they have somewhat altered their character during the last thirty years, the subject of Bank Book-keeping becomes of great importance, because without a good system of accounts it would be impossible to carry out the present method of banking.

For example, in 1878 there were 336 Private and Joint Stock Banks with 1789 branches, but in 1908 the number of Banks was reduced to 84 with 5072 branches.

This large increase in branch offices requires perfect supervision which only can be effected by means of an uniform system of accounts.

The author has endeavoured to follow the advice of an old writer on book-keeping who stated "that an elaborate treatise tends rather to perplex than inform the uninitiated, and is therefore but ill adapted to the wants of beginners," and "to reject all useless repetitions, all unnecessary technicalities whether of the form, classification or combination of entries".

A complete set of Bank accounts has been given showing the various entries in the books, when a sum of money is paid in for a customer's credit.

It is therefore possible to follow the entries from the Cash Book to the General Ledger, the liabilities being to that extent increased, on the other hand the assets would show a corresponding amount in the shape of coin, notes or cheques.

Book-keeping should always be of a simple character, so that the financial position of any company can easily be ascertained.

This is of great importance at the present day in consequence of the enormous growth of Joint Stock Companies; it has been

found necessary to give the Auditor increased powers of supervision, and his work is considerably lessened if the accounts are perfectly intelligible.

An outline on the theory and practice of accounts has been given, since it is essential that every Bank official should understand the principles of book-keeping and be able to read a balance sheet.

Examples of examination papers and various balance statements are appended, which if carefully studied will prove of some value.

The author trusts that the book may be of some service to the banking profession, especially to candidates for the Institute of Bankers' Examinations.

He wishes to express his sincere thanks to Mr. Henry Hill for his valuable assistance in the preparation of the Bank Accounts.



## CONTENTS.

CHAP.	PAGE
I. INTRODUCTION . . . . .	1
II. THE THREE PRINCIPAL BOOKS OF ACCOUNT . . . . .	9
III. SUBSIDIARY BOOKS . . . . .	21
IV. CAPITAL ACCOUNT—PROFIT AND LOSS . . . . .	30
V. THE BALANCE STATEMENT . . . . .	39
VI. BANK ACCOUNTS—GENERAL OUTLINE . . . . .	46
SHAREHOLDERS' CAPITAL . . . . .	48
PRINCIPAL AND SUBSIDIARY ACCOUNTS . . . . .	50
VII. CURRENT AND DEPOSIT AND IMPERSONAL ACCOUNTS . . . . .	53
VIII. THE CLEARING SYSTEM . . . . .	62
IX. THE DAILY BALANCE . . . . .	68
X. BILLS OF EXCHANGE—DISCOUNTS—ACCEPTANCES . . . . .	72
XI. LOANS . . . . .	79
XII. SECURITIES—COUPONS . . . . .	82
REGISTRATION OF STOCKS . . . . .	88
XIII. AGENCY OF COUNTRY AND FOREIGN BANKS—LETTERS OF CREDIT . . . . .	87
CIRCULAR NOTES . . . . .	89
XIV. GENERAL CASH BOOK—GENERAL LEDGER . . . . .	90
XV. PROFIT AND LOSS—COMMISSION—CHARGES—INTEREST . . . . .	102
XVI. BRANCH BOOK-KEEPING . . . . .	105
XVII. THE BALANCE STATEMENT . . . . .	128
XVIII. INSPECTION—AUDIT . . . . .	134
XIX. EXAMINATIONS IN BOOK-KEEPING . . . . .	142
XX. GLOSSARY . . . . .	183
INDEX . . . . .	197





## CHAPTER I.

### INTRODUCTION.

BOOK-KEEPING may be defined as a scientific method for recording a true statement of accounts, whether of a public or private character, in a systematic manner so that the results shown may be verified as correct.

This method is carried out by means of a series of books which record the daily transactions in such a manner so that the financial position can easily be ascertained by reference to the same.

From such books a statement may be prepared showing whether a business is carried on at a profit or loss, and also what are the assets and liabilities.

Assets may be defined as the stock in trade or the entire property of a firm before the liabilities have been deducted; the balance remaining when this deduction has been made is called the net capital.

The assets may be in various forms, such as cash, stock, debts owing on bills of exchange or amounts due from various persons, whilst the liabilities may consist of debts owing to the firm, or individuals known as creditors, or of bills of exchange given in exchange for goods purchased, or other purposes.

A complete record of such transactions is necessary, and at the present time of great importance in consequence of the enormous growth of Joint Stock Companies with a large number of shareholders who are entitled by Acts of Parliament to have accounts produced in a systematic manner, so that the public official known as an Auditor may protect their interests by verifying the statements in accordance with the Companies Acts.

Commercial undertakings are carried on by the aid of capital, which has been defined as the result of labour and abstinence destined to be employed productively.



There are two forms of capital which are the basis of all transactions whether of a mercantile or banking character, *viz.*, circulating and fixed. The first named is so designated because it fulfils the whole of its office in the production in which it is engaged by a single use.

For example, cash in hand or deposited in a Bank, Stocks and Shares which can be easily sold in the market, Bills of Exchange realisable in the discount market, Book Debts and Stock in Trade.

Capital is designated as fixed when the return is spread over a series of years. In this category would be Capital invested in Land, Buildings, Machinery and Sundry Investments not marketable although possessing value.

Commercial transactions consist largely in the purchase and sale of goods, and as the result of such dealings there are two distinct forms of accounts, *viz.*, debtor and creditor, so that the buyer is a debtor to the seller, and at the same time the seller becomes a creditor of the buyer.

As such accounts are usually based upon money a record must be made of all cash received and paid on the sale or purchase of goods, and the book known as a Ledger gives a complete record of all debtors and creditors, showing the amounts due or from such persons.

The results obtained by the sale or purchase of goods are set forth in a statement which is a record of gains and losses.

There are three methods for showing such transactions and are called respectively :—

Single Entry.

Double Entry.

The Single and Double Entry combined.

The first method only records the entries relating to business transactions once, and that in an incomplete manner. It is useful for a small retail business.

This system only refers to personal accounts, *viz.*, who are the debtors and creditors of the firm, without reference to the charges and other incidental expenses which form a part of every business. Again there is no effectual check on the various entries made in the books.

If there have been omissions in the Charges, there is considerable difficulty in finding out the discrepancies.

The Cash Book shows all the amounts of cash received during a given period, and would be in the following form :—

CASH ACCOUNT.									
Dr.					Cr.				
Receipts.					Payments.				
1900.		£	s.	d.	1900.		£	s.	d.
Jan. 1	Carr & Co. .	1	16	0	Jan. 2	Wages . .	5	0	0
„ 5	F. Jones .	30	0	0	„ 6	Private Expenses	7	0	0
„ 6					„ 9	Office Furniture	15	0	0
						Balance .	4	16	0
		31	16	0			31	16	0
	Balance .	4	16	0					

From the various entries in the Ledger, a statement can be obtained showing the financial position of the trader at any particular period.

The balances are taken from the Ledger and a Balance Sheet prepared in the following form :—

Liabilities.			Assets.		
	£	s. d.		£	s. d.
G. Smith. . .	20	0 0	F. Jones . . .	6	0 0
Capital . . .	90	16 0	Cash . . .	4	16 0
			Goods . . .	100	0 0
	£110	16 0		£110	16 0

It will be noticed the value of the trader's stock in trade on hand, *viz.*, £100, is added, and the balance of this account, *viz.*, £90 16s., represents his capital

## INTRODUCTION.

The books required for the single entry system would be as follows :—

The Day Book.

The Ledger.

The Cash Book.

The Day Book is a statement of goods sold, and also an account of cash received in payment. It would be in the following form :—

January 1, 1900.

Ledger Fo.			£	s.	d.
Carr & Co.,	Dr.				
36 yards Cotton @ 1/-			1	16	0
F. Jones,	Dr.				
120 yards Silk @ 6/-			36	0	0
Calvin & Co.,	Dr.				
10 yards Tapestry @ 3/-			1	10	0
G. Smith,	Cr.				
100 yards Silk bot. @ 4/-			20	0	0
Carr & Co.,	Cr.				
Cash received			1	16	0
F. Jones,					
Cash paid			30	0	0

The Ledger records the various entries in the Day Book, and every entry must be carefully posted. The following is an example of the posting from the Day Book into the Ledger :—

DR.				CARR & CO.				CR.			
Date.	Particulars.	Fo.	Amount.			Date.	Particulars.	Fo.	Amount.		
			£	s.	d.				£	s.	d.
1900. Jan. 1	36 yards Cotton @ 1/-		1	16	0	1900. Jan. 2	By Cash		1	16	0

The Profit and Loss Account is a statement showing the result of trading for a given period.

It records all the gains on goods sold, and also what are designated

losses, *viz.*, the various charges incurred in carrying on any particular business.

The account would be as follows:—

## PROFIT AND LOSS ACCOUNT.

DR.					CR.				
Losses.					Gains.				
1900.		£	s.	d.		£	s.	d.	
Jan. 2	Wages . . .	5	0	0		Discounts . .	2	0	0
	Private Ex- penses . . .	7	0	0		Commission . .	10	0	0
	Rates . . .	3	0	0		Goods . . .	100	0	0
	Rent . . .	30	0	0					
	Capital . . .	67	0	0					
		112	0	0			112	0	0

It will be noticed that as the result of trading there has been a net gain of £67, and this sum must be transferred to the trader's Capital Account in the Ledger as follows:—

## CAPITAL ACCOUNT.

DR.					CR.				
1900.		£	s.	d.	1900.		£	s.	d.
Jan. 1	To Cash . .	7	0	0	Jan. 1	By Cash . .	500	0	0
	Balance . .	560	0	0	Jan. 30	Profit & Loss Account . .	67	0	0
		567	0	0			567	0	0
						By Balance	560	0	0

The Double Entry System is so called because every transaction is entered twice in the Ledger.

For example, if goods are sold for cash, the Goods Account in the Ledger is credited, and the Cash Account debited. When the totals of all the accounts in the Ledger are taken, they should balance if the entries are correct, and the value of all purchases and sales with the profit or loss realised is easily ascertained.

This is illustrated in the Profit and Loss Account which is an account in the Ledger.

An exact statement of the business is shown by the agreement of two distinct balances, *viz.*, the balance of Capital Account, and the

**Balance Sheet or Statement.** The latter is not an account, but simply a statement showing the liabilities on the left-hand side of the account and the assets on the right-hand side.

When books are kept on the double entry system the following rule must never be forgotten, *viz.* :—

That every credit entry requires a corresponding debit entry, and *vice versa*. Thus if I buy goods of Brown & Co. for £100, their account is credited in the Ledger and the account of Goods debited.

Again, if I receive of Brown & Co. £100, their account is credited and Cash Account debited.

The balances of the various accounts must agree, because if I receive £100 from Brown & Co., their account is credited and Cash Account debited, and the debtor and creditor balances of each is £100.

The Ledger accounts are as follows :—

DR.		BROWN & CO.			CR.
To Balance	.	£100		By Goods	£100

DR.		GOODS ACCOUNT.			CR.
To Brown & Co.	.	£100		By Balance	£100

Debtor accounts consequently are those which are indebted to the firm, and creditor accounts those to whom the firm is indebted.

Again, what appears to the *debit* side of your Ledger will appear to the *credit* in the books of the person with whom you transact business ; this is easily understood if you can imagine yourself to be in the position of your *creditor*.

The receiver of an amount is called the debtor, and the giver of the amount the creditor ; for example, I buy goods of Brown & Co. for £100, they are creditors of mine for that amount, and *vice versa*, if I sell goods to Thomson & Co., they are my debtors for said sum.

The third method may be defined as the double entry system, but without the use of the Journal.

In this system there are two entries for each transaction, but total rather than specific amounts are recorded.

There are only three books required for this system, *viz.* :—

Cash Book.

Day Book.

Ledger.

The various entries in the Cash Book are not all posted in the Ledger, Charges for example being posted in the Day Book. - This book is not journalised, and is in reality a Ledger, because it shows cash paid into a Bank, as well as the balance of cash in hand.

The Day Book is a combination of the Journal and Ledger, and is also a Profit and Loss Account, because by deducting the amount of charges, the profit from the business can be ascertained.

The Ledger contains some of the Impersonal Accounts, but excludes Profit and Loss, Charges and Cash.

The Day Book would be in the following form :—

Ledger Folio.	Particulars.		Charges.			Daily Transactions.			Totals		
			£	s.	d.	£	s.	d.	£	s.	d.
	J. M. Brown	Sundry Work				5	0	0	5	0	0
	Charges	Office Salaries	10	0	0						

This book could also show the particulars of goods sold, and also the amounts received for services rendered as follows :—

## DAY BOOK.

Total Amount.			Ledger Folio	Particulars.	Debits for Goods Sold.			Debits for Services Rendered.		
£	s.	d.			£	s.	d.	£	s.	d.
				Jan. 1.						
				F. Evans, Particulars .	5	0	0			
14	10	0		W. Jones, Particulars .	2	10	0			
				W. Martin . . . .				7	0	0
				Jan. 2.						
300	0	0		Sundries . . . .	200	0	0	100	0	0
314	10	0		Sales Account, Creditor P. and L., Cr. . . .	207	10	0	107	0	0

Again the various charges could be shown in the Bought or Sales Book without the use of a Journal as follows :—

# INTRODUCTION.

## BOUGHT BOOK.

Date.	Goods, Dr.	Quantity Pieces.	Yards	Charges, Dr.			Fo.						
				£	s.	d.		£	s.	d.	£	s.	l.
1900. Jan. 1	To W. Evans . .			10	0	0		200	0	0	200	0	0
	Cash Charges (Cash Book)												
Mar. 31	To Profit . . .										200	0	0
	Private Ledger .										10	0	0
											21	0	0
	To Stock for Balance										231	0	0
	Sales Book on hand							50	0	0	50	0	0

## SALES BOOK.

Date.		Quantity Pieces.	Yards	Charges, Cr.									
				£	s.	d.		£	s.	d.	£	s.	d.
1900. Jan. 1	By F. Jones . .							180	0	0	180	0	0
	(Ledger)												
	By F. Jones, Interest . .			1	0	0					180	0	0
Mar. 31	By Stock on hand carried to Bought Book . . .										1	0	0
											50	0	0
											231	0	0

The amount of goods, quantities and charges in both Bought and Sales Books are to be added up and carried forward until the books are balanced.

It may be necessary to use a great number of books, but the final results are shown in one, viz., the Ledger.

Every business requires its own special forms ; for example, the accounts of a large Railway Company would be entirely different from that of a Manufacturing Company, or a large Co-operative store from that of a Bank ; it must, however, be always remembered that books are utilised for the purpose of recording facts in a simple form.

## CHAPTER II.

### THE THREE PRINCIPAL BOOKS OF ACCOUNTS.

WE have described three methods by which a statement can be obtained showing how results are obtained from trading, and have noticed that in the case of single entry certain books are required for recording such transactions; there are, however, three principal books of account which require to be considered separately, because they are indispensable for the system of double entry.

These books are :—

The Journal.

The Cash Book.

The Ledger.

In addition to the above mentioned there are other subsidiary books which are required, but the transactions entered therein must in some shape or other be recorded in one or more of the principal ones.

The Journal is a daily register of commercial dealings, the entries being classified for transfer into the Ledger; it is in fact a posting medium and simplifies the Ledger entries.

The Journal shows clearly what accounts should be credited or debited in the Ledger, and was originally the Day Book, but the latter is now superseded by the Cash, Bought, Sold and Bill Books.

The following form will show how the entries are recorded in the Journal :—



# 10 THE THREE PRINCIPAL BOOKS OF ACCOUNTS.

Da.		Cr.						
Ledger Fo.	1900.		£	s.	d.	£	s.	d.
	Jan. 1	Cash . . . . Dr.	500	0	0			
		To Stock . . . .				500	0	0
	" 2	Silk . . . . Dr.	100	0	0			
		To Stock . . . .				100	0	0
	" 5	Wool . . . . Dr.	50	0	0			
		To Cash . . . .				50	0	0
	" 15	W. Jones . . . Dr.	20	0	0			
		To Stock . . . .				20	0	0
	" 20	Cash . . . . Dr.	30	0	0			
		To W. Brown . .				30	0	0
	" 22	House Expenses . Dr.	10	0	0			
		To Cash . . . .				10	0	0
	" 25	Rent . . . . Dr.	20	0	0			
		To Cash . . . .				20	0	0
	" 30	Office Furniture . Dr.	5	0	0			
		To Cash . . . .				5	0	0
	" 31	W. Evans . . . Dr.	20	0	0			
		To Wool . . . .				20	0	0
			755	0	0	755	0	0

It will be seen that a double entry is made in the Ledger under the respective headings as stated in the Journal, and that every entry begins with a debit.

An Italian teacher, Lucas de Burgo (1495), was the author of a treatise on book-keeping by double entry, and it is desirable to show the old method of journalising in comparison with the present system.

## ITALIAN JOURNAL.

Folio.			£	s.	d.	£	s.	d.
Drs.	Crs.	Jan. 1.						
1	7	Cash—Dr. to Sundries	30	0	0			
	9	To W. Jones . . . .	20	0	0	50	0	0
		„ W. Evans . . . .						
	20	Jan. 9.						
		Sugar per <i>Duke</i> —Dr. to Sundries	10	0	0			
		To Freight Account . .	1	10	0			
		„ Lighterage . . . .				11	10	0
	10	„ W. Smith for Brokerage .				2	10	0
	8	„ Charges Account . . .				1	0	0
	6	„ Commission Account .				7	0	0
						22	0	0
	27	Jan. 20.						
16		Wines Account—Cr. by Sundries	30	0	0			
10		By W. Brown . . . .	10	0	0	40	0	0
		Balance . . . .						

MODERN JOURNAL.

Folio.	Jan. 1.	£	s.	d.	£	s.	d.
	Cash . . . . Dr.	50	0	0			
	To W. Jones . . . .				30	0	0
	„ W. Evans . . . .				20	0	0
	Jan. 9.						
	Freight per <i>Duke</i> . . Dr.	22	0	0			
	To Freight Account,						
	For Freight £10 0 0						
	„ Lighterage 1 10 0						
					11	10	0
	To W. Smith for Brokerage.				2	10	0
	„ Charges Account . .				1	0	0
	„ Commission Account .				7	0	0
	Jan. 20.						
	W. Brown . . . . Dr.	30	0	0			
	Balance Account . . .	10	0	0			
	To Wine Account . . .				40	0	0

On comparison we notice that the Italian method does not separate the debits from the credits ; some difficulty is experienced in distinguishing them, and there is also the possibility of the entries being wrongly posted in the Ledger.

Sometimes it is found convenient to use the Journal for a summary of the Day Book transactions, and also for the purpose of economising space in the Ledger.

The Journal is, however, important for two transactions which must not be forgotten, viz. for opening and closing entries. When a merchant starts a business we assume that he is in possession of certain assets, which we designate as his capital. These assets or effects are shown in the Journal.

At the end of six or twelve months, he wishes to ascertain his profits or losses for that particular period ; the Journal is again utilised for what is known as closing entries.

We will give illustrations of the two forms of entries.

# 12 THE THREE PRINCIPAL BOOKS OF ACCOUNTS.

## OPENING ENTRIES.

Dr.			Cr.		
1900. Jan. 1		£ s. d.	£ s. d.		
	Bank . . . . .	800 0 0			
	Cash at Office . . . . .	52 0 0			
	Goods . . . . .	300 0 0			
	F. Evans . . . . .	40 0 0			
	Jones & Co. . . . .	20 0 0			
	C. Smith . . . . .	10 0 0			
	To F. Robinson . . . . .		50 0 0		
	„ Brown & Co. . . . .		10 0 0		
	„ E. Elkins . . . . .		36 10 0		
	„ A. Scott . . . . .		1,125 10 0		
	„ Capital Account . . . }				
		1,222 0 0	1,222 0 0		

From this statement we notice that A. Scott has various assets, amounting to £1,222, but as he owes to sundry persons the sum of £96 10s., the net amount of his capital is £1,125.

## CLOSING ENTRIES.

1900. June 30		£ s. d.	£ s. d.
	Profit and Loss Account . Dr. To Interest Account . . .	5 15 0	5 15 0
	Profit and Loss Account . Dr. To Trade Expenses Account	70 15 0	70 15 0
	Profit and Loss Account . Dr. To Bad Debts Account . .	50 0 0	50 0 0
	Goods Account . . . . Dr. To Profit and Loss Account .	500 0 0	500 0 0
	Discount Account . . Dr. To Profit and Loss Account .	3 10 0	3 10 0
	Profit and Loss Account . Dr. To Capital Account . . .	160 0 0	160 0 0
		790 0 0	790 0 0

This statement shows the differences of subsidiary Profit and Loss Accounts, which are transferred to the general Profit and Loss Accounts, and also the transactions on Capital Account, the balance being transferred to the Capital Account.

Errors can be rectified by means of the Journal; for example, if a customer has been debited with £50 instead of £150, the entry would be

W. Jones, Dr. to F. Evans . £100.

In the same manner if a wrong account has been credited, the mistake is adjusted by debiting the said account and crediting the correct one by means of a Journal entry.

### THE CASH BOOK.

This book is a record of all cash transactions, and may be a Ledger Account; but if kept separately, the balance must be taken into account, or else the Ledger balances would not agree.

The following transactions have occurred during a month:—

1900.		£	s.	d.
Apl. 1	Paid into Bank . . . . .	400	0	0
" 6	" Cash for Cheque Book . . . . .	0	2	1
" 10	Sent Jones & Co. Cheque . . . . .	40	10	0
" 12	Received Cheque from J. Brown . . . . .	20	0	0
	Sold Goods for Cash . . . . .	5	0	0
" 15	Paid Wages in Cash . . . . .	15	0	0
" 20	Received Cheque from E. Robinson . . . . .	30	15	0
	Paid into Bank . . . . .	10	5	0
	Sent Jones & Co. Cheque . . . . .	5	0	0
	Drew Cheque for Cash . . . . .	3	15	0
" 30	Paid Rent by Cheque . . . . .	15	0	0
	" Gas Co. . . . .	2	10	0
	Cash Sales during Month . . . . .	52	0	0





It will be noticed that Cash Account is debited for all money received, for example, a cheque received from E. Robinson, £30 15s. Cash is Debtor, and similarly for all payments Cash Account is credited.

The specimen Cash Book shows a separate column for money paid in or drawn from the Bank ; this is desirable, because it verifies the entries in the Bank Pass Book ; when a cheque is drawn for the purpose of obtaining cash, the Bank's account is credited and the amount debited ; for example, the amount of £3 15s. appears on both sides of the Cash Book.

Another column is sometimes provided in the Cash Book for sums received or allowed as discount, but the amount actually received or paid must be entered in the cash received or paid columns.

The balance of the Discount Account is subsequently carried to the Profit and Loss Account.

The following is a specimen Cash Book with the necessary columns for showing Discount transactions.

CASH.										CONTRA.					
Date.	Account and Particulars.	Voucher No.	Ledger Folio.	Discount	Cash.		Date.	Account and Particulars.	Voucher No.	Ledger Folio.	Discount	Cash.			
					Details	Total						Details	Totals.		
1900. Jan. 1	To Capital Account			£	s. d.	£	s. d.	1900. Jan. 1	By W. Wilson			£	s. d.	£	s. d.
" 5	" W. Evans								" R. Jones			1	0 0	19	0 0
" 7	" Bills Receivable, No. 5 Dis- counted			1	10 0	150	0 0	" 15	" By Bills Pay- able, No. 6			2	0 0	48	0 0
" 15	" Cash Sales			5	0 0	200	0 0	" 20	" Rates						
								" 31	" Petty Cash						
									" Balance						
Feb. 1	" Balance			6	10 0	800	0 0					3	0 0		



## 18 THE THREE PRINCIPAL BOOKS OF ACCOUNTS.

The Cash Book is an important one when the accounts of a charitable institution are recorded ; in such a case it is desirable to subdivide it as follows :—

- (1) Petty Cash Book.
- (2) Daily Cash Book.
- (3) Monthly Abstract.

The Daily Cash Book can be used to analyse the various amounts received and credited to the Institution Account, and also to show the expenditure in a similar manner. The accounts at the end of a given period would be as follows :—

### INSTITUTION ACCOUNT.

Dr.		Cr.	
To Investments . . . . .	1,000	By Balance . . . . .	100
„ Current Expenses . . . . .	5,000	„ Bequests . . . . .	1,500
„ Balance . . . . .	5,600	„ Income . . . . .	10,000
	<u>£11,600</u>		<u>£11,600</u>
		By Balance.	

In connection with the Cash Account, it is sometimes necessary to prepare what is known as a Reconciliation Statement ; because when a number of cheques are drawn, some of them might not be presented for payment. When this occurs the Bank and the Cash Account do not agree. For example :—

Balance in Bank Book . . . . .	£500
Less Cheques not Presented for Payment . . . . .	50
Balance of Cash Book . . . . .	<u>£450</u>

In a similar manner when cheques are not paid into the account at the Bank the two accounts would not agree, although it is desirable to present them for payment within twenty-four hours from the date of their receipt.

### • THE LEDGER.

The Ledger is the principal book and is a record of all the various accounts, either personal or impersonal, and from the same can be obtained a complete statement of the financial position of any firm, company or individual, providing all the entries have been properly made.

The Ledger is generally ruled as follows :—

Dr.				W. EVANS.				Cr.			
Date.	Particulars.	Fo.	Amount.			Date.	Particulars.	Fo.	Amount.		
			£	s.	d.				£	s.	d.

In order to show monthly totals it is desirable to have double money columns, so that at the end of each month the total of the inner column can be carried to the outer one, as follows :—

WILLIAM JONES.									
Dr.					Cr.				
Date	Particulars.	Fo.	Amount.						
			Details.			Totals			
1900.			£	s.	d.	£	s.	d.	
Jan 1	To Goods .	1	15	0	0				
" 15	" " .	7	20	0	0				
" 31	" " .	20	10	0	0				
						15	0	0	

Date.	Particulars.	Fo.	Amount.						
			Details.			Totals.			
1900.			£	s.	d.	£	s.	d.	
Jan. 1	By Cash .		20	0	0				
	" Returns .		10	0	0				
	" Discount		2	0	0				
						32	0	0	

The accounts in the Ledger consist of a series of debtor and creditor statements ; thus, if goods are purchased by Wm. Jones from Wm. Evans for £45 he is a debtor to the latter. The necessary entry is made in the Ledger showing the transaction.

In order to condense the entries the Journal is sometimes utilised, so that only the totals of certain accounts are carried into the Ledger.

It may be desirable to have a series of Ledgers for the requirements of a large business ; for example, a Bought Ledger would be the record of all goods purchased, and in a similar manner a Sold Ledger would give particulars of goods sold.

At the end of the half-year, if all the entries have been correctly posted, it will be found that the totals of the debit entries will agree with the totals of the credit entries.

It is advantageous to post, or enter, daily from the Journal or Day Book into the Ledger, because possibly the necessary entries may be overlooked; again, the entries should give full particulars, in order to avoid reference to the Journal.

When the entries are made from the Day Book or Journal into the Ledger, it is usual to insert the number of the page or folio of the latter in the column provided for the same; this is done in order to show that the entries have been actually posted from one book into the other.

We have already stated that the Ledgers might be divided into the Bought and Sales Ledgers, and at the end of a given period they are balanced against the totals of subsidiary books, which will be subsequently described.

For example, the sales during the month may be £1,500, and from this amount various deductions are made as follows:—

	£1,500
Goods returned . . . . .	£100
Cash received from Debtors as per Cash Book . . . . .	300
Discounts as per Cash Book . . . . .	20
Bills Receivable . . . . .	100
	<hr/> 520
Balance of Sales Ledger . . . . .	<hr/> £980

The Cash Book may be treated as a Subsidiary Ledger if the monthly totals are passed through by means of a Journal entry, and the totals carried into the Private or General Ledger as follows:—

	£	s.	d.	£	s.	d.
Messrs. Jones & Co. . . . . Dr.	1,000	0	0			
To Cash—						
Paid in during the Month				1,000	0	0
Cash . . . . . Dr.	800	0	0			
To Messrs. Jones and Co.—						
Cash drawn during the Month				800	0	0

Ledger Accounts may be divided into Personal and Impersonal Accounts; the first named relates to persons and the latter is subdivided into Real which relates to capital, and Nominal which is a record of Accounts such as Revenue and Profit and Loss.

## CHAPTER III.

### SUBSIDIARY BOOKS.

IN addition to the three principal books in which all commercial transactions must in some form or other be recorded, it is necessary in large trading or manufacturing concerns to have subsidiary books in order to show the daily transactions.

For example, it is not convenient to record every transaction minutely in the Journal when the daily transactions are large, but, if required, they can be summarised at the end of the day.

Goods purchased are entered in an Invoice or Bought Book, which is a record of goods bought on credit; the Invoices, which give full particulars of the goods bought, are usually kept in a separate book, and the totals only shown in the Bought Book, as follows :—

#### BOUGHT BOOK.

Ledger Folio.	No. of Invoice.			£ s. d.			£ s. d.		
		January 1, 1900.							
		F. Scott,							
		150 yards Silk @ . .	2s.				15	0	0
		W. Evans,							
		200 yards Cotton @ .	6d.				5	0	0
		J. Brown,							
		10 yards Linen @ . .	6d.				0	5	0
		C. Gray,							
		200 yards Wool @ . .	8d.				2	10	0
		Goods Account . Dr.					22	15	0

When this book is used it is only necessary to journalise the total of the day's transactions, and only one entry to the Goods Account in the Ledger is required.

In a similar manner a subsidiary book is utilised for goods sold, and is sometimes designated as the Day Book, although this is an incorrect term.

The various entries must be posted from the Sales Book to the Ledger, and this book being a record of goods sold to your customers, the amounts are debited to their accounts.

## SALES BOOK.

Ledger Folio.	Invoice No.							
			£	s.	d.	£	s.	d.
		January 1, 1900.						
		W. Hicks,						
		5 yards Silk @ 3/- .	0	15	0			
		10 " Velvet @ 5/- .	2	10	0			
		R. Gordon,				8	5	0
		20 yards Wool @ 6d. .				0	10	0
		E. Nevill,						
		15 yards Wool @ 6d. .	0	7	6			
		20 " Velvet @ 5/- .	5	0	0	5	7	6
		Goods Account . Cr.				9	2	6

It is sometimes desirable to classify the goods sold according to their respective names, when there are separate accounts opened in the Ledger for the same.

For example, silk, wool and velvet might be separate accounts in the Ledger, and, therefore, the tabular form of the Sales Book is necessary.

## SALES BOOK.

Ledger Folio.	Invoice No.		Total.			Silk.			Wool.			Velvet.		
			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
		January 1, 1900.												
		W. Hicks,												
		5 yards Silk @ 2/6. .	0	12	6	0	12	6						
		10 „ Velvet @ 3/- .	1	10	0							1	10	0
		R. Gordon,												
		20 yards Wool @ 6d. .	0	10	0				0	10	0			
		E. Nevill,												
		15 yards Wool @ 6d. .	0	7	6				0	7	6			
		20 „ Velvet @ 5/- .	5	0	0							5	0	0
		Silk Account . . Cr.				0	12	6						
		Wool „ . . „							0	17	6			
		Velvet „ . . „										6	10	0

We have already described the Petty Cash Book which is subsidiary to the General Cash Book, and as there is a column for Ledger items, the entries can be made direct to the Ledger from this book.

It might, however, be necessary to have additional books to record particular transactions, in fact every business requires special treatment in the form of its accounts. For example, the book-keeping of a large Railway Company would be entirely different from a Mining Company. Again, the books of a large Bank are entirely different from those of a Colliery Proprietor.

With regard to a manufacturer, a *Stock Book* is sometimes kept, which is a record of goods bought and sold. Particulars of the transactions are carefully stated, so that a merchant in selling goods can easily ascertain whether a margin of profit exists between the buying and selling prices.

A *Warehouse Book* gives particulars of manufactured articles stored in a warehouse. On one side would be stated the goods received, and on the other what goods had been delivered. Thus, a manufacturer could see at once the balance of goods on hand.

The following are examples of a manufacturer's books:—

## RAW MATERIAL.

Date.	Purchases	Date.	How Disposed of.	cwt. qrs. lb	Pieces.	Numbers.
1900.		1900.				
Jan. 1	.	Jan. 5	By Manufactory .	1 3 5	20	1-20
" 9	.	" 10	" "	2 1 20	20	21-30
" 13	.	" 15	" "	5 2 10	40	31-40
" 31	.	" 5	" "	9 2 7	90	1-90
			" Waste	0 2 5		
		" 31	Balance .	6 2 23		
Feb. 1	Balance	6 2 23		17 0 7		

MANUFACTORY.

Date.	In.	Total No. of Pieces	Cloth			Nos	Date.	Out.	Total No. of Pieces.	Cloth.		
			A	B	C					A	B	C
1900.												
Jan. 1	To Balance in Process	120	30	40	50	1-120	1900 Jan 4	By Merchandise	120	60	30	30
" 5	" Wool	290	40	60	100	191-320	" 10	"	100	20	40	40
" 10	" "	100	20	30	50	321-420	" 20	"	300	30	20	180
" 20	" "	300	50	10	240	421-720	"	"				
							" 31	Balance	520	110	90	250
		720	140	140	440				200	30	50	190
Feb. 1	Balance	200	30	50	190				720	140	140	440

MERCHANDISE.

Date.	From Factory.	Total.	A	B	C	Date	Sales.	Total.	A	B	C
1900. Jan. 1	To Balance . . . . .	200	100	20	80	1900 Jan 10	By Jones . . . . .	50	20	10	20
" 5	" " Manufacture . . . . .	100	20	40	40	" 15	" Simpson . . . . .	100	20	40	40
" 10	" " " " " " " " " "	300	80	120	100	" 20	" Smith . . . . .	300	120	60	120
" 20	" " " " " " " " " "	200	20	40	140			470	160	110	180
		800	220	220	360	" 31	Balance . . . . .	330	60	110	160
Feb. 1	Balance . . . . .	350	60	110	180			800	220	220	360

An *Order Book* is simply used for the purpose of recording the daily orders received, with full particulars of such transactions.

Where a large number of men are employed in a factory, it is necessary to keep a strict account of the wages paid.

This book may be in the following form, *viz.* :—

## WAGES BOOK.

No.	Name.	No. of Hours	Rate.	Amount.		
			d.	£	s.	d.
1	W. Smith . . . .	40	6	1	0	0
2	T. Brown . . . .	54	8	1	16	0
3	J. Pearse . . . .	30	9	1	2	6
4	J. Stephens . . . .	54	6	1	7	0

In connection with a Wages Book it is sometimes necessary to show whether the work done by each workman is equal to the amount paid him; for example, a *Costs Book* is kept which records the cost of labour on the goods produced.

When a contract is accepted by a manufacturer certain prices are taken as a basis for the work, and when executed the *Costs Book* would show whether the expenditure on wages, etc., exceeds the amount allowed for that particular contract.

In addition to the Sales Day Book and the Invoice Book two other books are occasionally utilised, *viz.*, Returns Book Inwards and Returns Book Outwards; the former represents goods returned for which customers are credited, and the latter is for the purpose of recording goods returned by the manufacturer. It is of the same character as the Invoice Book, but the entries are reversed.

Instead of receiving or paying cash for goods purchased or sold, credit documents known as Bills of Exchange are utilised, which postpones the adjustment of debts to a future date.

The usual form of a Bill of Exchange is as follows :—

1st January, 1909.

Three months after date I promise to pay George Brown & Co. five hundred pounds for value received

WILLIAM EVANS.

A complete account of such credit documents must be kept in special books as they form part of the assets and liabilities of a firm. The following books are generally utilised :—





When an Acceptance is given the following entry would be made:—

J. Jones . . . . .	Dr. £50	
To Bills Payable . . . . .		£50

When paid the transaction would be shown as follows:—

Bills Payable . . . . .	Dr. £50	
To Bank . . . . .		£50

If a Bill is renewed, the old one is cancelled, and a new one drawn, with possibly the accrued interest added. For example:—

Bills Receivable . . . . .	Dr. £820	
To Bills Receivable . . . . .		£800
„ Interest and Discount . . . . .		20

The account of Bills Receivable is debited to those persons from whom bills are received, and whose accounts are therefore credited, as follows:—

Bills Receivable . . . . .	Dr. £100	
To John Jones . . . . .		£100

When the bill is paid the Journal entry would be as follows:—

Cash . . . . .	Dr. £100	
To Bills Receivable . . . . .		£100

If goods are sold to a person with whom there may not be any other dealings, and a bill received for the amount, the transaction would be as follows:—

Bills Receivable . . . . .	Dr. £100	
To Goods . . . . .		£100

If a bill is dishonoured and returned, the account of the person from whom it was received must be debited and Cash Account credited; a list of bills on hand should be made out monthly, and checked with the entries in the Bills Receivable Book.

When Bills are returned unpaid, the charges for presentation by a notary may be paid from the Petty Cash Book, unless presented by a banker, who will debit for the amount of the charges.

Bills must be presented for payment on their due date, three days' grace being added. For example: A bill drawn on 1st January, payable at month's date, would be due 4th February; for those drawn on demand or at sight no days of grace are allowed.

Instead of opening a Ledger Account for Bills Receivable and Payable, the Bill Book may be in the following form, and would then show the transactions as follows :—

## BILLS RECEIVABLE.

[illegible]

## BILLS PAYABLE.

[illegible]

At stated periods it is necessary to take a list of bills on hand, which must be compared with the bills themselves, and the balance must agree with the amount *not* written off on the credit side of the Bill Book, and which constitutes the balance of Bills Receivable on hand.

The debit side can always be added up, and when the credit accounts are entered the totals should correspond in amount.

Sometimes a Bill Journal is kept of all bills paid away or discounted, and the credit side of the Bill Book is posted from this, as follows:—

## BILL JOURNAL.

December, 1900.

£ s. d.			Folio		Bill Book Fo	£ s. d.			£ s. d.		
			1900.	Evans & Co.							
				Due.							
			Dec. 1	On Glyn & Co., Jan. 4, 1901	32	100	0	0			
				„ Lon. & County, Feb. 4, „		250	0	0			
350	0	0							350	0	0
				W. Brown & Co.							
				On F. Jones, March 3, 1901		600	0	0			
				„ W. Thomas, Apl. 5, „		750	0	0			
									1,350	0	0
				Carried to Ledger Folio					1,700	0	0

When the transactions on bills are large, it is usual to abbreviate the terms Bills Receivable and Bills Payable by using the initial letters only, viz., B.R. and B.P

## CHAPTER IV.

### CAPITAL ACCOUNT—PROFIT AND LOSS.

WHEN a firm or individual commences business Capital is essential for various requirements. For example a manufacturer would require a factory suitable for the production of his goods so that a part of his Capital would be utilised in purchasing land and erecting the necessary premises.

Then again it might be necessary to employ machinery, which must be bought; the next operation would be the purchase of raw material, such as iron, wool, silk or any other commodity.

If the manufacturer has capital deposited in a Bank he converts the same into buildings, machinery and goods for the purpose of making a profit on the capital invested in the business. All these transactions must be shown, and for this purpose various accounts are opened in the Ledger under the headings of Buildings, Machinery and Goods.

For example, John Smith starts business with £2,000 and opens an account in the Ledger, John Smith, Capital Account, which must be credited with £2,000, the business in fact owes him this amount. He has also purchased land and erected premises, the total cost being £500.

The machinery necessary for the business costs £500 and goods are purchased for £1000.

After a certain period he receives £200 for goods sold, this transaction must be shown in the Cash Account; another customer instead of paying cash gives a Bill of Exchange for £100 payable at three months' date.

In the same manner John Smith finds it convenient to accept a Bill of Exchange for goods purchased. These transactions effected, by means of credit documents, are carefully recorded in books which have been described.

In order to ascertain what profit has been made various Impersonal Accounts must be opened in the Ledger, such as Goods Account, Machinery, Business Premises, Wages and Interest on Capital.

At the end of a certain period the financial position of John Smith is as follows :—

Liabilities.		Assets.	
1909.			
Jan. 1. Capital	£2,200	Cash in Hand	£200
Bills Payable	100	Bills Receivable	100
Sundry Debtors :—		Business Premises	500
Robinson & Co.	200	Machinery	500
Jones & Co.	100	Goods	1,200
		Sundry Creditors :—	
		Green & Co.	50
		J. Lewis	50
	<hr/> £2,600		<hr/> £2,600

It will be seen from the above statement that John Smith has increased his Capital by £200, his assets being £2,600 and liabilities £400, the balance of £2,200 represents the net Capital.

#### PROFIT AND LOSS.

No account has been taken of various charges in the statement of John Smith's financial position, but a careful record must be made of the same.

An estimate of profits cannot be ascertained without a complete statement of such charges which are known as working expenses, and a strict account must be kept in order to ascertain whether they are increasing or *vice versa*. Charges vary in character; for example, a firm which exports goods has to insure them.

Then again interest might be a considerable item if there is a large amount of borrowed capital. Under the Limited Partnership Act a person may invest a specified sum in a business without incurring any liability beyond the amount he has advanced. In such a case an account in the lender's name must be opened in the Ledger, and at stated periods interest credited to his Capital Account and debited to Charges.

In order to show the actual profit on any particular kind of goods,

expenses incidental on the sale must be taken into account. Expenses require to be carefully analysed and separate accounts kept, so that in case of an increase of expenditure the various accounts would show how it has occurred.

For example, on a Consignment Account goods are purchased for £1,000 and sold at the end of twelve months for £1,025. There is an apparent profit of £25, but if interest is charged against the account at 5 per cent. there is a loss of £25.

With regard to Petty Cash it is customary, as already described, to debit Charges for the amount advanced, the disbursements during the half-year being debited to the various accounts and Petty Cash credited. By this means the amount originally advanced is kept intact.

If a cheque is drawn for Petty Cash the entry would be:—

Petty Cash Dr. to Bank.

With regard to Postage Account, it is usual to debit Charges Account for the amount required and at the end of the half-year to debit the various accounts in the Ledger for Postages and credit Postages Account with the proceeds. The balance of Charges Account is carried to Profit and Loss Account and the debit and credit entries should correspond with the totals in the Journal.

The Double Entry System is the only one which shows correctly the amount realised or lost on trading accounts, and as already stated a complete account must be kept of all charges incidental to a business.

In the same manner a record is required for all gains either resulting from the Sale of Goods, Discount, Interest on Investments and Commission received for services rendered.

The Profit and Loss Account is usually classified as follows:—  
Profit:—

- (1) The net gain in the Sale of Goods.
- (2) Discount.
- (3) Interest.

Loss :—

Trade Expenses—

- (1) Rent, Rates and Taxes.
- (2) Salaries.
- (3) Travelling Expenses.
- (4) Discounts and Allowances.
- (5) Postages and Sundry Charges.
- (6) Bad and Doubtful Debts
- (7) Depreciation of Plant and Machinery.
- (8) Interest on borrowed Capital

The Account would be kept as follows :—

Dr.	Losses.	Gains.	Cr.
To Wages	. . . .	By Discount and Interest	.
„ Rates	. . . .	„ Commission	.
„ Discounts	. . . .	„ Goods Account	.

With regard to Losses, all charges, whatever their character, must appear on the debit side, and it is desirable to have separate Ledger Accounts for each. A large manufacturer might require a separate Ledger for wages since they form the largest item of expenditure, but at the end of the half-year the balance should be transferred to Profit and Loss.

In the same manner the balance of Charges Account must be carried to the General Account of Profit and Loss.

In order to understand the principles of making the entries, the



following lines, from Jackson's "Book-keeping," are useful to remember :—

By Journal laws what I receive  
Is *Debtor* made to what I *give* ;  
*Stock* for my Debts must *Debtor* be,  
And *Creditor* by Property.  
Profit and Loss Accounts are plain.  
I debit Loss and credit Gains.

Thus, if I buy cloth to the amount of £100 and sell it for £110, there is a gain of £10 on the transaction.

DR.	CLOTH.	CR.	
To Cash . . . . .	£100	By Cloth Sold . . . . .	£110
„ Profit and Loss . . . . .	10		
	<hr/> £110		£110

PROFIT AND LOSS.	Cr.
By Cloth . . . . .	£10

As this increases Capital Account, when the books are balanced this amount is credited as follows :—

Profit and Loss, Dr. to Capital Account.

On the other hand, if the result of selling the cloth is a loss :—

Dr.	CLOTH.	Cr.
To Cash . . . . .	£100	By Cloth Sold . . . . . £90
		„ Profit and Loss . . . . . 10
	£100	£100

Dr.	PROFIT AND LOSS.
To Cloth . . . . .	£10

In this case Capital Account is diminished by £10, and the entry under that account must be

Capital Account, Dr. to Profit and Loss, £10.

Of course the balance resulting from the sale of cloth could be transferred at once to the Capital Account, if there were no other charges incidental to the sale of the goods.

# PROFIT AND LOSS.

357

For example :—

DR.	CAPITAL ACCOUNT.	CR.
1900.		
Jan. 1. To Sundries owing by you . . . .	£4,000	By Sundries due to you . . . . £5,000
„ Balance . . . .	1,000	
	<hr/> £5,000	£5,000

The net capital is therefore £1,000.

In the course of the year cloth is purchased of the value of . .	£1,000
And sold for . .	1,500
	<hr/>
Profit . .	£500

Thus, the Capital Account is increased by £500 during the year 1900, the balance on 1st January, 1901, being £1,500.

It is usual to open an account called Bad Debts, and if there is any loss at the end of the year to close the same by transferring the balance to Profit and Loss.

Commission is another account which is included in Profit and Loss transactions, and is credited for amounts due either upon sales which are charged in the gross amount, or upon what the buyer has to pay for the goods.

Thus, upon a shipment to *order* the entries are as follows :—

John Jones Dr. to Goods on Consignment.
„ Charges.
„ Insurance.
„ Commission.

The last entry would be a Journal entry to Commission Account, unless the amount is carried direct to Profit and Loss; upon individual Adventures no Commission is charged in the books, although it might appear *pro formâ* on the Invoice.

When a firm merely act as agents an account might be opened as follows :—

Goods purchased on Commission,

which account is appropriated *exclusively* for such goods as are purchased on Commission, and this account balances itself, as follows :—

Goods Dr. to Sundries.
Sundries Dr. to Goods.

In such a case there is neither Profit nor Loss upon this account of goods.

There are seldom any entries to the debit of Commission Account, because the charges made by agents for commission has nothing to do with this or the Charges Account, inasmuch as they properly belong to the Goods Account to which they have reference. Commission charged on Cash Accounts is carried to Interest Account.

Sometimes an account is opened, "Commission on Acceptances," to cover any loss arising from such transactions; it is customary to stipulate that on goods sent for sale the agent receives Commission only upon such accounts that are really sold, and when paid for he may claim the amount due to him.

What has been mentioned under Loss on the debit will apply to Profit on the credit side of the Journal. If having lost on some accounts £100, you have profited on others £1,000, there is a clear gain of £900 as follows:—

Loss.		
Dr.		Cr.
To Goods . . . . .	£100	
Profit.		
Dr.		Cr.
	By Sundries . . . . .	£1,000

You say Profit Dr. to Loss for £100, which balances the former account, and brings £100 to the debit of Profit, thereby leaving the balance in the latter £900.

The profit on goods, supposing all debts to be *bonâ fide*, is the amount actually received.

Bad debts are made from the Personal Accounts; it would be absurd to show a profit of £100 on the Goods Account, if, perhaps, £1,000 has been lost through bad debts.

If the carriage of goods is effected, it would be necessary to open a Cartage Account and debit it with cost of horses, carts, wages, keep of horses and other incidental expenses, and credit the same with the cartage debited to other accounts; this would not, however, show the actual Profit or Loss upon the Cartage Account, which ought to exhibit what has been saved by transacting the business yourself, instead of employing some one else.

This can be done if a proportionate amount is charged on each transaction, and in Joint Accounts it is absolutely necessary to charge a fair amount for cartage.

The following is an illustration of a Profit and Loss Account:—

# PROFIT AND LOSS.

37

## PROFIT AND LOSS ACCOUNT.

31st DECEMBER, 1900.

Dr.		Cr.	
To Expenses—		By Trading Account, Gross Profit .	
Salaries .	£500 0	" Profit and Loss on Investments, Net	£10,000
Rent and Taxes .	150 0	Profit .	200
" Current Expenses—			£10,200
Gas .	£20 0		
Water .	5 0		
Stationery .	2 10		
Postages .	3 0		
Cartage .	20 0		
To Discounts .	52 10		
" Bad and Doubtful Debts .	200 0		
" Repairs .	50 0		
" Depreciation Account—			
Plant and Machinery .	£200 0		
Goodwill .	100 0		
	300 0		
	£1,752 10		
" Interest—			
To Balance net Profit for year to			
31st December, carried to Drawing			
Account—			
W. Jones .	£4,223 15		
F. Evans .	4,223 15		
	£8,447 10		
	£10,200 0		

The Trading Account of a manufacturer is of the same character as a Goods Account, the total cost of production being taken into consideration before the actual profit can be ascertained.

This result is obtained by debiting for the cost of material, various charges incidental to the production and distribution of the goods and crediting the account for the amount realised by sales.

The following shows the various items on a Trading Account, the balance being transferred to Profit and Loss :—

Dr.					Cr.
To Balance Stock . . .	£2,000	By Sales Account . . .	£44,050		
„ Purchases Account . . .	35,000	„ Balance of Stock Account . .	3,000		
„ Wages Account . . .	3,000				
„ Legal Expenses Account . .	20				
„ Salaries . . . . .	1,500				
„ Office Expenses . . . .	130				
„ Discount Account . . .	250				
„ Rent . . . . .	400				
„ Depreciation . . . . .	500				
„ Doubtful Debts . . . .	750				
„ Profit and Loss . . . .	3,500				
	£47,050				£47,050

With regard to the Profit and Loss Account of a Company it is usual to designate it as a Revenue Account, and this statement generally includes an ordinary Trading Account in addition to the Profit and Loss statement.

Sometimes it is difficult to ascertain what really belongs to Capital Account instead of Income; for example, new engines for a railway would be charged to Capital Account and not to the Profit and Loss statement. The usual method adopted by Companies is to appropriate the surplus of the Revenue Account as follows:—

- (1) To set aside certain sums to form a Reserve Fund.
- (2) To divide a certain proportion amongst the Shareholders.
- (3) The balance is generally carried forward to form the nucleus of the next division of profits, and if necessary to equalise the Dividends.

The Profit and Loss Account is sometimes divided into two sections, viz.:—

- (1) Particulars of Expenditure and Income.
- (2) Appropriation Account, or the disposition of the net profit.

The latter account generally contains on the credit side the net profit brought from Profit and Loss, and also the balance brought forward; on the debit side is shown the amount placed to Reserve Fund, the Dividend proposed to be paid, and the Balance carried forward. When an Appropriation Account is not used the net result is generally included in the Balance Sheet.

The following is an example of an Appropriation Account:—

Dr.	Cr.
To Interim Dividend on Ordinary Shares . . . . . £3,000	By Profit . . . . . £4,200
„ Interim Dividend on Preference Shares . . . . . 1 000	„ Balance from Last Account . . . . . 550
„ Further Dividend . . . . . 500	
„ Reserve Fund . . . . . 250	
£4,750	£4,750

## CHAPTER V.

### THE BALANCE STATEMENT.

IN order to ascertain whether the various entries in the books are correct, it is usual to balance the books at stated intervals, generally at the end of six or twelve months.

The first step is to examine the Journal carefully in order to see that every entry has been posted and marked off. After the stock in hand has been valued at cost price, the values are credited to each particular account of goods; the gain after taking stock is entered on the debtor side and transferred to Profit and Loss Account. The quantities of the debtor and credit sides of the Stock Account should correspond. With regard to valuation of Goods Account, if the credit side exceeds the debit, the balance represents profit, and, on the other hand, if the debtor side is the larger, the difference is loss.

The entry in the first instance would be Goods Dr. to Profit and Loss, and in the second Profit and Loss Dr. to Goods.

The balances of stock must be brought forward showing the quantities and amounts on hand; Charges Account would be a loss, and is balanced by the total being carried to the debit of Profit and Loss Account.

On the other hand, Commission Account is debited for any Commission allowed, and credited for what has been received; in the same manner Insurance and Interest Accounts are balanced, the totals being carried to Profit and Loss Account.

The balance of Bills Receivable and Cash is, of course, the amount of each on hand; with regard to Bills Payable, the amount represents the acceptances unpaid, which have been already debited to the particular accounts to whom the same have been given.

If a loan has been obtained from a Bank by means of an Overdraft, which enables the merchant to overdraw his Current Account for a specific amount, it will be necessary to include the Overdraft in the list of creditors.

The next operation is to balance the Personal Accounts, after charging interest where necessary. The debtor and creditor balances are shown both in the old and new accounts.

The net result of all these transactions is capital represented by the balances of Personal Account—Goods, Houses, Ships, Funded Property, Bills Receivable, and Cash on hand.

The balance of Profit and Loss shows whether you have gained or lost by the business; if there is a profit, then Profit and Loss is debtor to Stock for the balance, but, on the other hand, if there is a loss, capital is diminished, and Capital Account is debtor to Profit and Loss Account.

All amounts withdrawn for private expenditure are debited to Capital Account after the balance of Profit and Loss Account has been transferred, the remainder being net capital.

The Ledger gives the necessary particulars for the preparation of the Balance Sheet, as it contains the above-mentioned Impersonal Accounts of Profit and Loss, as well as the Personal Accounts of sundry debtors and creditors.

The Balance Sheet is therefore a statement showing the financial position of any private firm or limited company; however, before this can be prepared it is necessary to see whether the Ledger balances are correct.

This is effected by means of the Trial Balance, and in accordance with the principles of Double Entry, *viz.*, the debits must equal the credits, and therefore the creditor balances must equal the debtor ones.

The Trial Balance would be in the following form:—

Ledger Accounts.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
	£	£	£	£
Capital Account . . . . .	50	3,000		2,950
Cash . . . . .	950	330	620	
Bank . . . . .	1,000	600	400	
Petty Cash . . . . .	10	5	5	
Bills Payable . . . . .	500	200	300	
„ Receivable . . . . .	700	1,000		300
Jones & Co. . . . .	600	100	500	
Evans & Co. . . . .	300	200	100	
Suspense Account . . . . .	50	5	45	
Commission Account . . . . .	100		100	
Goods Account . . . . .	2,000	940	1,060	
Bad Debts . . . . .	100	20	80	
Trade Expenses . . . . .	50	10	40	
	6,410	6,410	3,250	3,250

It will be seen that the totals as well as the balances are included in this account, and from the latter can be prepared the Profit and Loss Account.

The value of goods in hand must, however, be taken into account before the statement of profits can be prepared, and if machinery forms a part of the stock in trade, it is usual to write off a certain sum on account of depreciation. The following is a rough estimate as to the amounts to be written off, but, of course, each business requires distinct treatment according to the circumstances of the case. For example, in the case of new plant or buildings it would not be necessary to set aside a large sum for depreciation.



## DEPRECIATION.

	Per Cent.
Freehold Dwelling Houses . . . . .	2 to 4
Mill Buildings " in bad repair . . . . .	5 " 7½
Fixed Plant . . . . .	2½ " 5
Boilers . . . . .	5 " 7½
Machinery . . . . .	7½ " 10
Furniture . . . . .	5 " 10
Horses . . . . .	7½ " 10
Ships . . . . .	10 " 20
Trucks and Waggon's . . . . .	5 " 6
	7½ " 10

Depreciations being considered as loss, the amounts written off can be debited direct to the Profit and Loss Account, as follows, through the Journal :—

1900.

June 30. Profit and Loss Account, Depreciation	Dr.	£50	
To Machinery Account			£50

Sometimes it is advisable to open a Subsidiary Account in order to show what has been deducted from the various accounts, and the total would be carried to Profit and Loss Account as follows :—

Dr.		DEPRECIATION ACCOUNT.				Cr.	
1900.		£	s.	d.	1900.	£	s. d.
June 30	To Machinery . 10%	100	0	0	June 30	By P/L . . .	350 0 0
	" Buildings . 6%	200	0	0			
	" Office Furniture 10%	50	0	0			
		350	0	0			
						350	0 0

When the necessary allowances for depreciation have been made, the next step necessary is to prepare the Balance Sheet or Statement, which is not a Ledger Account, and consequently need not be considered as a Debtor and Creditor Account.

In fact, there is no reason why the assets should be placed on the right side, although it is usual to do so.

If, however, it is in the form of an account, it would be necessary to state the fact as follows .—

(1)	Dr.	— in Account with Jones & Co.	Cr.
		or	
(2)	Dr.	J. Jones in Account with —	Cr.

Balance Accounts are debited with everything possessed and its cost, and credited with everything due and the value produced by the liability incurred. The second form is usually adopted, Jones & Co.'s liabilities being debited and his assets credited.

With regard to the order in which a Balance Statement is prepared, the custom is to place the assets according to their relative value ; this plan is usually known as Marshalling the Assets.

In order to do this it must be remembered that capital is usually divided into two distinct classes, *viz.*, Floating and Fixed. By the former we mean capital that can easily be converted into money, and would consist of Cash in Hand or in the Bank, Bills of Exchange, Stocks and Shares, Book Debts and Stock in Trade ; on the other hand, Fixed capital is that which is sunk in Land, Buildings, Machinery, Fixtures, Investments, and cannot easily be sold. Goodwill which is shown as an asset is sometimes of little value, and should be written off within a limited period.

It therefore follows that in the preparation of a Balance Sheet the various assets should be stated according to their respective values. Cash in Hand and at Bank would rank first, and then Investments of a marketable character. The next item would be Sundry Debtors, either on Bills Receivable or Open Accounts. Stock would form the next asset, and varies in character, in fact each must be stated according to its liquid value. Freehold Premises would be the next in order of value, but Plant and Machinery may, in some cases, be placed before Real Estate. Office Furniture and Fixtures, being the least saleable, would be ranked next, and, finally, we have Goodwill, the value of which largely depends upon the character of the business.

With regard to the liabilities it is usual to classify them in a particular order ; for example, bills accepted by a firm must be met at maturity, and therefore should be stated first.

The amount due to creditors forms the next entry, and any loans that may have been contracted either temporary or permanent must also be stated.

Lastly, the amount of capital invested in the business is shown ; as this liability only concerns the partners, this statement is of more interest to the banker or to the creditors of the firm. As the firm cannot be called upon to pay the same, it usually appears as the last item in the list of liabilities.

We will now give a specimen of a Balance Sheet in the form described :—

### THE BALANCE STATEMENT.

## BALANCE SHEET.

[illegible]

It will be noticed that a bill for £500 has been discounted, and therefore the firm is liable for that amount if not paid by the Acceptor at maturity.

When a firm does not wish its staff to see the actual results of the year's trading, the various Profit and Loss Accounts are kept in a Private Ledger, from which can be obtained the particulars of its financial position in a simple form, as follows :—

Dr.	SUNDRIES TO JOHN JONES, 31ST DECEMBER, 1900.		Cr.
To Sundry Debtors . . . .	£1,800	By Amount due to W. Evans . .	£2,000
„ Bills Receivable . . . .	400	„ Bills Payable . . . .	500
„ Cash . . . . .	200	„ Balance . . . . .	500
„ Goods . . . . .	600		
	£3,000		£3,000

## JOHN JONES' CAPITAL ACCOUNT.

1900.		1899	
Dec. 31. To J. Jones' Private		Dec. 31. By Balance Net Capital	£200
Expenses . . . .	£200	1900.	
Balance . . . .	500	Dec. 31. By Profit and Loss . .	500
	<u>£700</u>		<u>£700</u>

## PROFIT AND LOSS ACCOUNT.

1900.	
Dec. 31. To Balance carried to	
Capital Account . . . .	£500
By Sundries . . . . .	£500

The Profit and Loss in this case shows the net result after all the necessary charges have been deducted.

From the above statement we notice the following results, viz.:—

Net Capital 31st December, 1899 . . . . .	£200
Profits accrued since . . . . .	£500
Less Private Expenses . . . . .	200
	<u>          </u>
Net Profit . . . . .	300
	<u>          </u>
Balance of Capital Account . . . . .	£500

The accounts therefore show that John Jones has increased his capital by £300 as the result of a year's trading.

## CHAPTER VI.

### BANK ACCOUNTS.

THE same principles of book-keeping apply to Bank Accounts; the double entry system is utilised, and two distinct entries are made either for cash received or paid.

The business of a Bank consists in making a profit on the deposits of customers, who find it convenient to leave a portion of their capital for safe-keeping.

A Bank starts business with a large paid-up capital so that the Cash Account is debtor for the amount.

The customers who deposit cash have their Current Accounts credited and the Cash Account debited. When cheques are drawn the reverse operation takes place, the customer's account is debited and Cash Account credited.

There is in fact no material difference between the books of a Bank and those of a merchant. In the case of a Bank the only commodity dealt in is Cash in a variety of forms, such as coin, bank notes, cheques and bills of exchange, and in order to make the necessary entries for these credit articles, various books are required. On the other hand, the merchant deals in a variety of merchandise which might be compared to the cash articles of a Bank.

It has been stated that a large paid-up capital is required for the purpose of inspiring confidence, and in addition a large cash reserve is necessary to meet any sudden withdrawal of deposits.

The three principal books of account are utilised, *viz.*, the Journal, Cash Book and Ledger, but the first named is called the Day, State or General Cash Book.

The following is an example of the Double Entry system :—

Thomas Jones deposits £500. His Deposit or Current Account is credited and the Cash Account debited. He becomes a creditor of the Bank and is supplied with a Pass Book with the following entry.

— Bank in account with Thomas Jones.

Dr.				Cr.			
1909.			£				
Jan. 1	Cash . . .	500					

The Bank is in fact Debtor for £500, and this transaction might be shown in the Half-yearly Balance Sheet, liabilities being increased by £500 and assets by a corresponding amount of Cash.

It will therefore be seen that there are two distinct entries for every amount deposited in a Bank.

This system of double entry is shown very clearly when Bank Notes are paid in for a customer's credit. For example, if Thomas Jones deposits £500 in Bank Notes, the Drawing Account is credited and Bank of England Account debited, because the Notes are paid in for the Bank's credit at the Bank of England. It is usual for the London Banks to have a large cash balance with that Institution and their books would show a debtor balance for the amount. It has been stated that the Capital Account of a merchant gives the amount invested in the business; in a similar manner the Capital Account of a Bank represents the liability to shareholders who have subscribed capital for the purpose of carrying on the business of banking.

The majority of Banks are now registered under the Limited Liabilities Acts and are required to keep certain books with certain particulars as to the shareholders of the Company.

The Register must state the following:—

- (1) The names and addresses of the Shareholders.
- (2) The date when each person became a Shareholder.
- (3) The date when he ceased to be a member.

In order to show transactions on Shareholders' Account, a Transfer Register and Share Ledger are required, which are as follows:—

#### TRANSFER REGISTER.

Date.	Transfer Number.	Folio.	Transferor Name, Address, Description.	Transferee Name, Address, Description.	Folio.	Number of Shares.	Distinctive Numbers.	Amount Paid up.

## SHARE LEDGER.

Date.	Transfer Number	Folio	Distinctive Numbers of Shares Bought	Distinctive Numbers of Shares Sold	Cr Number	Dr. Number	Balance	Amount Paid up

The amount received on Capital Account may be journalised as follows:—

## STOCK S. DR.

1909.			£	£
Jan. 1.	To Application and Allotment Account—			
	Sundry Shareholders . . . .	300,000		500,000
" 6.	" Application and Allotment Account—			
	Sundry Shareholders . . . .	200,000		
		500,000		500,000
Jan. 20.	To Application and Allotment Account—			
	Sundry Shareholders . . . .	500,000		
	" Share Capital Account . . . .			500,000

Every year a return must be made to the Registrar of Joint Stock Companies giving the following particulars:—

(1) The amount of the capital of the Company, and the number of shares into which it is divided.

(2) The number of shares taken from the commencement of the Company up to the date of the Summary.

(3) The amount of calls made on each share.

(4) The total amount of calls received

(5) The total amount of calls unpaid

(6) The total amount of shares forfeited.

(7) The names, addresses and occupations of the persons who have ceased to be members since the last list was made, and the number of shares held by each of them.

By an Order of the Board of Trade, 15th August, 1901, the names and addresses of the persons who are the Directors of the Company at the date of the Summary must also be supplied. Banking Companies must also add a list of their places of business.

It is usual for Banking Companies to set aside a portion of their

profits to form a Reserve Fund, and this account would be opened in the General or Impersonal Ledger.

The Head Office of a Bank in relation to its branches is similar to a merchant who receives an Account Current from his Agent showing what has been effected on his behalf.

If a branch has a cash balance, the Head Office is a debtor for the amount ; on the other hand, the branch might lend more than the capital held for depositors and in such a case the Head Office would supply the deficiency and become a creditor of the branch.

In order to understand the methods of Bank Book-keeping it is essential to follow the entries in successive order from each set of books and then show how they form part of the whole system.

The Journal of the Bank is known as the General Cash Book or Day Book and gives a complete record of all transactions definitely arranged so that the entries may be posted in the General Ledger.

Thus the totals of the Received and Paid Cash Books appear in the General Cash Book and are subsequently posted under the heading of Current Accounts in the General Ledger.

It is sometimes desirable to have a Supplementary Journal or Cash Book for the purpose of showing the separate totals of all the Cash Books before the entries are carried into the General Cash Book. This book may be designated the Cash Summary and Transfer Book, and is found useful in connection with the Daily Balance.

It is also utilised for the purpose of making sundry debit and credit entries when amounts are transferred from one account to another.

For example, if Thomas Jones wishes to transfer £500 from Current Account to Deposit Account, it is only necessary to debit the former and credit the latter, the result being to diminish Current Accounts in the General Ledger but at the same time Deposit Accounts are increased.

Then again, the loan transactions of the Bank are shown ; for example, if Thomas Jones borrows from the Bank £500, his Current Account would be credited but the Loan Ledger would show that he is a debtor for the said amount.

This appears in the General Ledger, Current Accounts being credited £500 and Loan Accounts debited.

The General Ledger, which will be subsequently described, gives a complete summary of the assets and liabilities.

This book is quite distinct from the Ledgers of the Bank, which are a record of the amounts owing to and from the individual customers, but the totals of the Ledger Accounts appear in the General Ledger.



In addition to the principal books there are a large number of subsidiary ones, and more are required at the Head Office of a Bank, where the transactions are of a varied character, in fact, similar to a large manufacturing business which requires many books for the purpose of a complete record of every commodity produced

It is absolutely necessary in a large Bank to subdivide the books, so that the work may be effected without difficulty by the staff. For example, it is found convenient to use books for alternate days, so that the examiners and inspectors may have access to the same without interfering with the daily routine. The Waste Book, which is the principal subsidiary book, is used for the purpose of analysing the cash articles received. The totals of such articles, *viz*, cheques, money and bank notes, should agree with the amount of the credit.

It is also desirable that transactions on Deposit Accounts should be kept distinct from those on Current Accounts, although the cash received forms part of the grand total.

Bills of Exchange which are utilised for the payment of debts are generally negotiated through banks, and such transactions are kept quite distinct, two sets of books being utilised, *viz*, one for bills lodged for collection and known as short bills, and the other for bills discounted. The last named being the property of the Bank a complete record of such documents is required.

The Cash Books are subdivided into Received and Paid, the former would show separate columns for coin, cheques and notes.

The following is a classified list of the principal and subsidiary books:—

#### BOOKS FOR RECORDING ASSETS

Received Cash Books	} Principal
Paid Cash Book	
Money Book	
Journal or General Cash Book	
General or Impersonal Ledger	
Investment Ledger	
Discount Ledger	
Loans Ledger	
Bank Premises Ledger	} Subsidiary
Waste Book	
Clearing Book	
Walks Book	
Paying Cashier's Book	
Discount Cash Book	
Discount Diary	
Bank of England Note Book	
Cash Summary	
Discount Diary	

## BOOKS FOR RECORDING LIABILITIES.

*Current Accounts Ledgers, Town	} Principal.
*Current Accounts Ledgers, Country	
Branch Ledgers	
Deposit Ledgers	
Acceptance Ledger	
Pass Books	
Deposit Day Book	} Subsidiary.
Check Ledger	
Short Bills Ledger	
Short Bills Diary	
Acceptance Cash Book	
Advice Book	
Customers' Securities Ledgers	

Cheques paid in must be classified because they are presented for payment through various channels.

In a London Bank we have the following divisions :—

(1) Cheques drawn upon Clearing Banks :—

- (a) Town Clearing.
- (b) Metropolitan Clearing.†
- (c) Country Clearing.

(2) Cheques drawn upon Non-Clearing Banks.

- (3) " " " Bank of England.
- (4) " " " Customers of the Bank.
- (5) " " " Scotch Banks.
- (6) " " " Irish Banks.

Cheques of each division must be kept quite distinct, separate books being required for the purpose of recording the amounts. The grand total paid in during the day should agree with the amounts of the six divisions.

The first classification takes place when the Cashier separates the coin and money from the cheques, the latter being subdivided in the Waste Book, to which reference has been made, which will be subsequently described.

In order to understand the methods of Bank accounts, the various entries should be carefully noted.

An example of a credit taken at the counter will be given, and the

\* The Current Accounts Ledgers would be also a record of the overdrawn accounts, and the total amount of such accounts would appear as part of the assets, under the heading Current Accounts Dr.

† The Metropolitan Clearing also includes cheques drawn upon non-clearing banks, but such cheques are cleared by their City Agents who are members of the Clearing House.

entries shown in the various books until the final entry is made in the Ledger.

In the same manner the entries in the books will be shown of a cheque paid at the counter, including the debit entry in the Ledger. Again, when bills are discounted for customers the various entries in the subsidiary books, including the Discount Ledger, will be described.

## CHAPTER VII.

### CURRENT AND DEPOSIT ACCOUNTS.

THE book-keeping of a Bank is chiefly concerned with Current and Deposit Accounts, and consists of debit and credit entries which are necessary in order to render a statement to the customers and depositors.

Customers on opening a Current Account are supplied with a book of forms so arranged that the various cash articles may be entered in a specified manner for the purpose of assisting the Bank in the collection of such articles.

This form is as follows:—

#### PAYING-IN FORM OR CREDIT SLIP.

	£	s.	d.	£	s.	d.
Gold . . . . .	20	0	0			
Silver . . . . .	10	0	0			
				30	0	0
Bank Notes . . . . .				100	0	0
Country Notes . . . . .						
London Cheques, Coutts . . . . .	50	0	0			
"    London & Midland . . . . .	50	0	0			
"    Drummond . . . . .	50	0	0			
"    Bank of England . . . . .	200	0	0			
"    Selves . . . . .	50	0	0	400	0	0
				530	0	0

This form, together with the cash articles, is handed to the Cashier who enters the total in the Received Cash Book ; there are several forms of such books, but they only differ in respect to particulars given.

The following is a specimen in a large London Bank where the particulars recorded are only Notes and Money, together with the total amount received :—

## RECEIVED CASH BOOK.

Money.			Notes.	Name.	Total of Credit.		
£	s.	d.			£	s.	d.
30	0	0	£100 5/20 Nos. 85645/9	J. Evans & Co. . . . .	530	0	0

It will be noticed that only the particulars of part of the credit of £530, *viz.*, £30 money and £100 notes, are given, and the balance of £400 is not shown in this book. The total amount of the credit, *viz.*, £530, is entered on a docket or credit slip, which is handed to the Ledger-keeper for entry. The remainder is dealt with in the Waste, or what the old bankers designated the Goldsmiths' Book, which is ruled in the following manner :—

## GOLDSMITHS' BOOK OR WASTE BOOK.

Name	Total Amount			Clearing			Metropolitan Clearing			Walks			Bank and Country Notes			Bank of England			House and Country Cheques			Money		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
J. Evans & Co	530	0	0	50	0	0	50	0	0	50	0	0	100	0	0	200	0	0	50	0	0	30	0	0

Thus full particulars of the credit are given in this book, and the total amount of £530 is made up of seven various cash articles.

The Receiving Cashier retains the notes and money, and delivers the "paying-in slip" with the other articles to the Waste Book Clerk, who makes the entries as above stated. There is also a check upon the entries made by the Cashier, because at the close of business the Cash Book and Waste Book are examined and the totals of the two must agree.

The various articles are entered separately, because they are collected through different channels. For example, the cheques on Clearing Bankers are sent to the Clearing House for collection; and cheques entered under the heading "Walks" are collected by Clerks who present them for payment at the various Banks upon whom they are drawn.

Bank of England notes are paid in the same or the following day for the Bank's credit at the Bank of England. It is not usual to re-issue these notes, but to pay cheques with new ones. House cheques

are entered in the Paid Cash Books, and the total agreed with the amount in the Waste Book.

The Cashier is responsible for the Bank of England notes and money, and at the close of business the amount due from him must agree with the totals of the Waste Book.

In a large Bank there are several Cash Books corresponding to the number of Ledgers, and thus the received side of the Cash Book for a day, week or month should agree with the received side of the Ledger, and as the Waste Books correspond with the Cash Books, the totals of the three books must be the same.

The credit of £530 paid in by J. Evans & Co. has been followed, and it is seen that the particulars are entered in the Cash Book, Waste Book and Ledger, and that the various entries are identical. There are subsidiary books for Clearing and Bank of England cheques, and the totals of such books must agree with the totals of the columns for such articles in the Waste Book.

Again it is possible that J. Evans & Co. on the same day draws a cheque for £100 and present it at the counter for payment.

The Paying Cashier has a Supplementary Cash book, which is ruled as follows.—

## SUPPLEMENTARY PAID CASH BOOK.

Total.			Name.	Numbers	Amount of Notes			Money		
£	s.	d.			£	s.	d.	£	s.	d.
100	0	0	J. Evans & Co.	39565/6 2/20	40	0	0	60	0	0

From the above it is seen that J. Evans & Co.'s cheque for £100 is paid as follows, *viz.*, £40 in notes and £60 in gold and silver.

Another cheque for £70 is paid into the Bank to the credit of Russell & Co. by John Evans & Co.; these various transactions are shown in the Paid Cash Book, which is as follows:—

## PAID CASH BOOK.

Name.	Waste Book			Waste.			Paid Cashiers.		
	£	s.	d.	£	s.	d.	£	s.	d.
J. Evans & Co.	70	0	0				100	0	0

John Evans & Co. have also paid £50 to Brown & Co., and this cheque is presented for payment by their Bankers through the Clearing House; a Supplementary Book is used for entering such cheques, and the total amount would be entered in the Paid Cash Book.

The firm named is supplied with a Pass Book, which is a complete record of all transactions made on its behalf, and is of the same character as the Account Current of a merchant.

This book is usually as follows:—

#### PASS BOOK.

Dr.		THE LONDON BANK IN ACCOUNT WITH JOHN EVANS & Co.					Cr.		
Date	Particulars.	Amount.			Date	Particulars.	Amount.		
		£	s.	d.			£	s.	d.
1900.					1900.				
Jan. 2	To Cash . . .	530	0	0	Jan. 2	By Self . . .	100	0	0
						„ Brown & Co. . .	50	0	0
						„ Russell & Co. . .	70	0	0

From the above we notice that the Bank debits for cash paid in, and credits itself for cheques drawn.

When the Pass Book is delivered to the said firm for the purpose of being checked, it is assumed that all the entries are in order if John Evans & Co. do not within a reasonable time return the book stating that the entries are incorrect.

The specimen form of Pass Book is a useful one, because it enables the firm to check their Cash Book against the Bank's Pass Book; the entries are identical, *viz.*, cash received on the debtor and cash paid on the credit side of the Cash Book.

Thus the various transactions of cash received and paid are shown in the following books, *viz.*:—

Received Cash Book.

Paid Cash Book.

Supplementary Cash Book.

Pass Book.

The final entries, however, of the transactions on each Current Account are recorded in the Ledger, which may be as follows:—

#### LEDGER.

Dr.				JOHN EVANS & Co.				Cr.			
1900.		£	s. d.	1900.		£	s. d.	1900.		£	s. d.
Jan. 2	To Self . . .	100	0 0		Jan. 2	By Cash . . .	530	0 0			
	„ Brown & Co. . .	50	0 0								
	„ Russell & Co. . .	70	0 0								

We notice, however, that the entries are in reverse order to the Pass Book, John Evans & Co. being shown as a creditor for £530, and at the same time the firm are the Bank's debtors for £220, being the amount of cheques drawn by them.

In order to show the daily balance the Ledger Accounts are usually kept as follows:—

Date	Particulars	Debit			Credit			Credit Balance unless otherwise stated		
		£	s.	d.	£	s.	d.	£	s.	d.
1901. Jan. 1	By Balance . . . .				1,000	0	0			
" 15	Great Western Railway Dividend . . . .				50	0	0			
					1,050	0	0			
" 20	Cash . . . . .	20	0	0				1,030	0	0

When there is only one balance column the credit balances are stated in black ink and the debit balances in red ink.

In order to show particulars of debit and credit entries in different columns, the Ledger is ruled as follows, the totals of the weekly debits and credits being stated under their respective headings:—

Date	Dr.	Cr	Dr			Cr			Balance.		
			£	s.	d.	£	s.	d.	£	s.	d.
1900. Jan. 2	Evans . . . .	Cash . . . .	20	0	0	65	0	0	45	0	0
" 6	" . . . .	" . . . .				100	0	0	145	0	0
" 9	Jones . . . .		10	10	0				134	10	0
	£30 10s.	£165									

When Interest is allowed on Current Accounts it is necessary to have additional columns for the products, so that at the end of the quarter or half-year the amount of the Interest can be calculated.

Date.	Particulars.	Debits			Credits			Dr or Cr.	Balance			No. of Days	Debit Interest Products.			Credit Interest Products.		
		£	s.	d.	£	s.	d.		£	s.	d.		£	s.	d.	£	s.	d.
1900. Jan. 1	Cash . . .				300	0	0	Cr.	300	0	0	9				2,700	0	0
" 10	To Cheque, J. Brown	100	0	0				"	200	0	0	2				400	0	0
" 12	J. Smith .	100	0	0				"	100	0	0	3				300	0	0
" 15	S. White .	400	0	0				Dr.	300	0	0	5	1,500	0	0			
" 20					600	0	0	Cr.	300	0	0							

To Interest to date at 5 per cent. . . . . 4s. 1d.  
By Interest on Credit Balances at 2 per cent. . . . . 8s. 8d.



In order to obtain the amount of Interest for one year it is necessary to multiply the product by double the rate per cent. and divide the result by 73,000.

Another form of Ledger would show the debit and credit balances, and also the amount of Interest on such balances :—

Date.	Particulars.	Dr			Cr			Dr Balance.			Cr Balance			Interest. Cr		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1900.	Self .	100	0	0												
Jan. 2	Cash .				530	0	0				430	0	0			

### DEPOSIT ACCOUNTS.

We have described an ordinary transaction on Current Account, but there is another class, entitled "Deposit Accounts".

It is usual to allow Interest on such accounts, and the rate in London fluctuates with the Bank of England rate of discount. In order to provide a margin for the Banker's profit, there is usually a difference of  $1\frac{1}{2}$  per cent. between the Bank and Deposit Rate; for example, if the official rate is 4 per cent., the Bank allows  $2\frac{1}{2}$  per cent.

When a Deposit Account is opened a receipt is issued in the following form, *viz.*, Received from John Evans & Co. the sum of one hundred pounds for one year to bear Interest at the rate of  $3\frac{1}{4}$  per cent. per annum for that period only from the 1st inst.

The amount received can be credited through the Cash Book, but it is usual to have a separate Cash Book to show the transactions on Deposit Accounts, which are a record of the daily receipts and withdrawals.

Another book is kept for the purpose of showing the number and particulars of Deposit Receipts issued, as follows :—

### DEPOSIT RECEIPT BOOK.

Date.	Number.	Name and Address	Amount			Interest Paid.			Total with Interest.			Date of Payment.
			£	s.	d.	£	s.	d.	£	s.	d.	1900.
1900. Jan. 1	1	John Evans & Co.	500	0	0							

If the depositor has a Drawing Account, the transaction can be effected by means of a debit and credit entry through the Transfer Book as follows:—

	£	s.	d.		£	s.	d.
Credit Current Account by J. Evans & Co.	100	0	0	Debit Deposit Account to J. Evans & Co.	100	0	0

The effect of this transaction is to diminish Deposit Accounts by £100, and to increase Current Accounts by the said amount.

The daily entries from the Deposit Cash Book are posted in the Deposit Ledger, because it is more convenient to keep them distinct from Current Accounts

The Ledger is in the following form:—

## DEPOSIT LEDGER.

JOHN EVANS &amp; CO.

Date	To or from Deposit.	Number of Receipt	Dr	Cr.	Cr Balance	Interest.	Notices.
			£ s. d.	£ s. d.	£ s. d.	£ s. d.	
1900. Jan. 1	To Deposit			500 0 0	500 0 0		
" 9	From Deposit		100 0 0		400 0 0		

## IMPERSONAL ACCOUNTS.

There are many accounts of an impersonal nature which may be kept in the General or Impersonal Ledger.

The following accounts may be described as Impersonal, and are necessary to carry out various banking operations:—

Bills for Collection.

Country Cheques.

Country Cheques sent by Post.

Clearing Account.

Scotch Cheques Collection Account.

Irish Cheques Collection Account.

Coupon Account.

Dividend Account.

Suspense Account.

Salaries Account.

These Accounts are utilised for the following purposes:—

*Bills for Collection.*—This account is used for the purpose of re-

cording entries of Bills sent to all parts of the world for collection, the proceeds, less commission, being credited to customers' accounts.

*Country Cheques.*—Several accounts are opened in the Ledger under this heading for the purpose of settling differences which arise from a variety of causes or for the purpose of crediting customers' accounts on receipt of country cheques at once, although the proceeds are not received until two days after when they are paid through the Clearing House. If sent by post another account is opened in the Ledger for that purpose.

*Scotch and Irish Cheque Accounts* record all cheques received for customers' credit which are sent to Scotland and Ireland for collection.

*Coupon Account* is a record of transactions on account of coupons sent out for collection. On receipt of cheques in payment of the same, this account is credited and the amount subsequently passed to customers' accounts.

*Dividend Account* is used for crediting dividends received on behalf of customers when only one cheque represents many dividends so that it is necessary to apportion the same to the separate accounts of customers, which is effected by means of debit and credit entries.

*Salaries Account* is utilised for the payment of salaries monthly, when the accounts of the Staff are credited. This account remains debtor for three months when the Charges Account in the General Ledger is debited and Salaries Account credited.

*Suspense Account* is a useful one, because there are many effects received which cannot be dealt with without further particulars, but it is desirable to credit such effects at once.

This account can also be utilised for crediting the proceeds of drafts sent for collection when certain charges have to be deducted, the customers' account being credited with the amount received less the charges which are credited to Commission Account.

There are other Collection Accounts which record operations with various Banks throughout the country, for Cheques and Bills sent for collection to the branches of other Banks and the proceeds remitted for credit through the Head Office of the remitting Bank.

In the case of a branch an advice is sent stating that the amount has been paid to its Head Office.

If a customer wishes an amount placed to his credit at Birmingham, where the bank has no branches, the Agency Account of the Bank

which has an office in that town is credited and the customer's account debited.

The payment is effected through the Head Offices of the two Banks.

In a similar manner credits are received by various Branch Banks for customers of other establishments, and such transactions are carried out by means of payments to the Head Offices of the Banks concerned.

## CHAPTER VIII.

### THE CLEARING SYSTEM

THE collection and payment of cheques has been simplified by the introduction of the Clearing System which is now in operation both in London and the large provincial towns

The Waste Book already described has sectional columns, the first being designated "Clearing". Most of the cheques paid into a London Bank are entered under this column.

Before the Clearing House was established the payment of cheques was effected by means of bank notes and coin. Clerks from various banks met daily in 1775 at a room in Change Alley, but as the work increased it was found desirable in 1805 to have larger premises which were rented from Messrs. Smith, Payne & Smiths.

Another event occurred in 1814 when the Clearing House was removed to its present position in Post Office Court, Lombard Street

In 1854 a better system was adopted: as each Bank had a drawing account at the Bank of England the payment of differences by means of coin and bank notes was avoided. This was effected by opening an account entitled "Clearing Banks" at that institution, and the daily balances of cheques received or paid were adjusted by transfers to the Clearing Bankers' Account. Each Bank had either to receive or pay a certain amount so that a transfer at the end of the day completed the transaction. The system of clearing is quite simple: for example, Bank A holds cheques drawn upon Banks B, C and D, and similarly Banks B, C and D hold cheques drawn upon A. The following illustrates the working of the system:—

#### THE SYSTEM OF CLEARING.

A.	B	C.	D.
<hr/>			
Cheques & Bills—			
£500 upon B .	£200 upon A .	£80 upon D .	£150 upon C
200 " C .	100 " C .	200 " B .	60 " B
100 " D .	50 " D .	150 " A .	400 " A
£800	£350	£430	£610

Dr.	A's ACCOUNT.										Cr.
£200 . . . . .						<b>B</b>	.	.	.	.	£500
150 . . . . .						<b>C</b>	.	.	.	.	200
400 . . . . .						<b>D</b>	.	.	.	.	100
<hr/>											<hr/>
£750											£800

In the above case A has to receive £800 and to pay £750 ; the balance due to A, *viz.*, £50, is liquidated by a transfer at the Bank of England ; similarly, the accounts of B, C and D are settled by means of debit and credit entries.

The work of the Clearing House has increased to such an extent that it has been found desirable to have four distinct clearings every day.

The first is known as the "Metropolitan " and consists of cheques drawn upon the branches of Clearing Banks situated within a large area of the Metropolis as well as several Non-Clearing Banks who have Agents at the Clearing House. Such cheques must be delivered before 10.0 A.M.

The second clearing commences at 10.30, and consists of cheques drawn upon the Head Offices and certain City Branches of Clearing Banks received through the post, and also Bills of Exchange which have matured.

The third is the Country Clearing, and consists of cheques drawn upon Country Banks or country branches of Metropolitan Banks. These are presented for payment to the London Agent of the Country Bank or the Head Office of a Metropolitan Bank, and are then forwarded by post to the Bank upon whom drawn.

Payment of Country cheques is made on the third day after presentment at the Clearing House.

The fourth, or second Town Clearing, commences at 2.30 P.M., and concludes at five minutes past four, when the House is closed. This Clearing consists of cheques drawn upon the Head Offices and certain City Branches of Banks which are members of the Clearing House.

Clearing cheques paid into the Bank during the day and not presented at the second Clearing are sent to the House for the fourth or last Clearing.

In order to facilitate the sorting of Cheques, they are stamped with the letters M, C and T in the left-hand corner which denotes the three methods of Clearing.

Cheques received for customer's credit and drawn upon Clearing Banks should be entered separately upon the paying-in slips in order to facilitate the work so that the total amount can be entered at once in the clearing columns of the Waste Book.

The next procedure is to hand them to the Clerks known as "Out Clearers" who have books ruled with the names of all the Clearing Banks at the top of each column, and marked Debtor.

The ruling of these books is as follows :—

Barclay			Lloyds.			London City and Midland.			Roberts		
£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
80	0	0	36	0	0	100	0	0	150	0	0
20	0	0	20	0	0	52	0	0	60	0	0
66	0	0	22	0	0	10	0	0	30	0	0
20,034	0	0	5,922	0	0	59,838	0	0	8,760	0	0
20,200	0	0	6,000	0	0	60,000	0	0	9,000	0	0

When this has been done the cheques are sent to the Clearing House where they are delivered to the Clerks of the respective Banks upon whom drawn, and the total of the Out Clearing Books must agree with that under the heading of "Clearing" in the Waste Book.

The Clerks at the Clearing House are known as "In Clearers". The books in use are ruled similarly to those already described, and marked Creditor, but the name of the Bank which the Clerks represent is omitted from the books.

The cheques are then entered under the respective headings of the Banks represented in the House. When the Clearing is closed the amounts of the cheques are added, and the totals must agree with the books of the "Out Clearers" which are sent to the Clearing House for the purpose of being verified.

There are three methods of verifying the Clearing entries since the Waste Books, Out Clearing Books and In Clearing Books must agree.

With regard to cheques drawn upon the Bank known as "In Clearing," it is usual to enter them in Supplementary Cash Books, the totals of such cheques being entered into the Paid Cash Books at the end of the day. These Supplementary Cash Books must of course agree with the Clearer's Books at the Clearing House.

When the amounts have been agreed at the Clearing House, the totals are entered upon a Summary Sheet, of which the following is a specimen :—

## UNION OF LONDON AND SMITHS BANK, LIMITED.

Debtors		Creditors.
£20,200	Barclay . . . . .	£19,000
	Bank . . . . .	1,000
2,000	Capital and Counties . . . . .	1,000
19,000	County and Westminster . . . . .	17,600
20,000	Glyn . . . . .	19,800
10,000	Joint . . . . .	8,000
6,000	Lloyds . . . . .	5,000
60,000	London City and Midland . . . . .	58,000
18,000	London and South-Western . . . . .	20,000
5,000	Martin . . . . .	4,000
4,000	Metropolitan . . . . .	5,000
6,000	National . . . . .	1,000
20,000	National Provincial . . . . .	25,000
20,000	Paris . . . . .	19,900
10,000	Robarts . . . . .	9,000
1,000	Southwark . . . . .	2,000
3,000	Williams . . . . .	2,000
10,000	Country Clearing . . . . .	8,000
20,000	Metropolitan Clearing . . . . .	22,000
	Clearing House Differences Balance . . . . .	6,900
<u>£254,200</u>		<u>£254,200</u>

It will be noticed that there are two columns for amounts to be received from or paid to the Clearing House. The names of all the Clearing Bankers appear on the Sheet, and the balances on account of the Country and Metropolitan Clearing are entered last, together with differences which have arisen at the Clearing House.

The Bank of England delivers cheques for payment through the Clearing House, but cheques *drawn* on that institution are not cleared but presented for payment direct. The account shows a balance of £6,900 due from the Union of London and Smiths Bank, Limited. Each Bank has an account at the Bank of England. There is also an account designated Clearing Bankers' Account kept by that institution. If the balance has to be paid by any Bank a white transfer ticket is made out authorising the payment from the Bank's Account to that of the Clearing Bankers.

On the other hand, if the Bank has to receive the balance, a green ticket is used authorising the payment from the Clearing Bankers' Account to the Bank which is credited with the amount.

When these tickets are made out they are signed by the Inspector of the Clearing House who certifies that the statement is correct and are then delivered to the Bank of England where the necessary transfers are made.

The following are specimens of the green and white tickets :—



## WHITE TICKET.

## SETTLEMENT AT THE CLEARING HOUSE.

LONDON, 1st January, 1909.

To the Cashiers of the Bank of England.

Be pleased to transfer from our Account the sum of £6,900 and place it to the credit of the Account of the Clearing Bankers and allow it to be drawn for, by any of them (with the knowledge of either of the Inspectors signified by his countersigning the Drafts).

£6,900.

BANK OF ENGLAND, 1st January, 1909.

A Transfer for the sum of £6,900 has this evening been made at the Bank from the Account of Union of London and Smiths Bank to the Account of the Clearing Bankers.

For the Bank of England.

£6,900.

This Certificate has been seen by me,  
*Inspector.*

## GREEN TICKET.

## SETTLEMENT AT THE CLEARING HOUSE.

LONDON, 1st January, 1909.

To the Cashiers of the Bank of England.

Be pleased to credit our Account the sum of  
out of the money at the credit of the Account of the Clearing Bankers.

£

Seen by me,

*Inspector at the Clearing House.*

BANK OF ENGLAND, 1st January, 1909.

The Account of the  
credited with the sum of

Bank has this evening been  
out of the money at

the credit of the Account of the Clearing Bankers.

For the Bank of England.

The Summary Sheet shows a balance of £6,900, the Bank's balance at the Bank of England would therefore be decreased by that amount.

The whole of each Bank's transactions at the Clearing House may be summarised in a book as follows :—

## CLEARING BOOK.

Received Clearing.		Paid Clearing.	
Received Country Notes for collection . . . . .			
	£1,000		
Barclay . . . . .	400		
Lloyds . . . . .	200		
London and South-Western . . . . .	400		
	<u>£2,000</u>		
Morning Clearing.			
Bills . . . . .	£6,000		
Cheques . . . . .	4,000		
	<u>10,000</u>		
Received Cash Books . . . . .	237,300	Paid Cash Books . . . . .	£253,200
Bank of England . . . . .	6,900	Paid Notes . . . . .	800
	<u>£254,200</u>	Returns . . . . .	150
		Clearers' Difference . . . . .	50
			<u>£254,200</u>

It will be noticed that the accounts balance by means of a transfer at the Bank of England of £6,900.

The amount received for Country Notes remitted by post for collection, *viz.*, £1,000, is included in the Received Cash Books, but as Bankers' Payments are received it is usual to make an entry of the transaction in the Clearing Book.

The account shows that cheques drawn on the Bank for £247,300 have been paid through the Clearing House; as Agents for Country Banks, notes for £800 have been paid, and the amount of £150 represents cheques returned for various reasons such as irregularity of endorsement or no funds.

The work of the Clearing House is very considerable especially on Settling Days, and as there are differences, in order to balance the books it is necessary for each Bank to open a Suspense Account to adjust the same.

The Clearing Book shows a difference of £50, which is subsequently adjusted through the Clearers' Differences Account.

On the received side of the account the amount of bills and cheques paid in for customers' credit amounts to £254,200, leaving a balance on the paid side of the account of £6,900 which is liquidated as already explained.

The returns must be delivered at the Clearing House before 5 P.M. on the day when the cheques are presented for payment.

Unpaid country cheques are returned direct to those Banks whose names appear on the crossing; at the same time the London Clearing Agents are informed of the fact so that the necessary entries can be made in the books. This is carried out at the Clearing House by debiting the Banks who presented the cheques, because the country banks who originally remitted them to London for collection are credited for the *whole* amount of the remittance.

## CHAPTER IX.

### THE DAILY BALANCE.

When we consider that in the course of a day 50,000 cheques are sometimes paid into a London Bank for collection, it is manifest that in order to agree the accounts there must be a perfect system of check upon the entries.

This is carried out by means of the daily balance and the subdivision of the effects received for customers' credit as shown in the Waste Book, so that each subdivision can be separately agreed.

The whole of the day's transactions may be summarised as follows :—

	£	s.	d.		£	s.	d.
Balance of Cash last night . . . .	25,000	0	0	Paid Cash Books .	20,000	0	0
Received Cash Books	40,000	0	0	Balance of Cash to-night . . . .	45,000	0	0
	65,000	0	0		65,000	0	0

From the above statement it will be noticed that by taking the balance of the previous night and adding the totals of the Received Cash Books, we get the grand total of Cheques, Notes, Bills and Money received during the day.

On the other hand the total of such articles paid, together with the balance of cash in hand, should equal the amount on the received side of the account. The balance of cash would include not only coin and bank notes but also cheques which have not been presented for

payment. When necessary further particulars can be given and a trial ticket prepared as follows :—

	£	s.	d.		£	s.	d.
Amount of Cash Books				Amount of Paid Cash Books	72,000		
(Money and Notes) .	10,000			Discount Cash Book .	80,000		
Received Cash Books	100,000			Clearing Book . . .	20,000		
Received Discount Cash				Walks . . . . .	5,000		
Book . . . . .	50,000			Money . . . . .	5,000		
				Notes . . . . .	25,000		
				Bank of England Cheques	2,000		
				Cheques unpaid . . .	1,000		
	160,000				160,000		

In the above form the Discount Cash Book would be a record of all entries with respect to loans and bills discounted.

The Chief Cashier is responsible for coin and bank notes ; with regard to the former there are two distinct amounts dealt with, viz., coin received and paid to customers.

The Receiving Cashiers hold a certain sum which every day is increased by the amount received, and the Paying Cashiers always retain in their tills coin sufficient for the requirements of the business.

When the amount falls below the balance usually retained it can be increased by a transfer from the Receiving Cashiers or additional stock may be obtained from the Bank of England.

At the close of business the amount held by the Receiving Cashiers must be the balance of the previous night added to the amount received during the day as shown in the Cash Books and Waste Books.

In a similar manner the balance held by the Paying Cashiers should be the amount of the previous night added to that received from customers or the Bank of England, less the amount paid.

In order to check the money it is the duty of an official to take out the totals of amounts received and paid from the Receiving and Paying Cashiers' Books in the Money Book, the balance of cash remaining should be the amount required to balance the books after all the banking operations of the day have been recorded.

Bank notes are checked by the same method, the balance of the previous night being taken, and to this is added the amount of notes received. On the other hand the amount of notes paid is recorded, and to this must be added the balance of notes in hand, the two sides of

the account should then agree if the entries have been correctly made.

We have noticed that the Waste Book has separate columns for Money, Notes, Walks, Clearing, and Cheques drawn upon the Bank, so that it is possible to agree the totals of such articles against the amounts in the books in which they are subsequently entered.

The work in connection with the daily balance is greatly facilitated if the totals of cash received and paid as well as sundry transfer entries are entered in a book entitled Cash Summary or Transfer Book. The Credit of John Evans & Co. for £530 would be included in the total of the Cash Book which may be sub-divided into sectional parts as shown in the specimen page at the end of this chapter.

The Deposit of £500 by the same firm is also shown by means of a transfer entry from Current Accounts to Deposits, the result being to decrease Current Accounts by that amount; in a similar manner the loan transactions are recorded.

The final entries in the Journal or General Cash Book of the Bank cannot be made until the daily balance of cash is correct when the two sides of the Cash Summary Book should agree.



## CHAPTER X.

### BILLS OF EXCHANGE.

Bills of Exchange are utilised for the purposes of trade and commerce, and as a rule negotiated and paid through the medium of Banks; it is therefore necessary to describe the books required for the purpose of recording bill transactions.

There are three distinct classes of such documents, *viz.*, (1) Bills collected or paid for customers; (2) Bills purchased or discounted; (3) Bills accepted on behalf of correspondents.

Bills lodged for collection are designated "short" in order to distinguish them from bills discounted. They are usually left a few days before maturity: the Bank undertakes to collect them when due and to credit the customer with the proceeds. When lodged they are credited in a Bills Receivable Book, which is a record of the amount, name of acceptor, and due date of the bill. From this book they are credited to an Impersonal Account in the Ledger, called Bills for Collection Account, and when paid the account is debited.

Thus the process at the maturity of a bill is as follows: Bill Account is debited and the customer's account credited. A complete check on the Ledger can be effected by marking off the entries against the bills held.

The total amount held is shown in this Impersonal Account.

Another method, however, is to dispense with the Bills Receivable Book and to open an account for each customer in the Bill Ledger, which is ruled as follows:—

#### BILL LEDGER.

Date.	When Due.	Amount.			Acceptor	Debtor.	Creditor.			Balance.		
		£	s.	d.			£	s.	d.	£	s.	d.
		100	0	0			...	...	...	...	...	...
		200	0	0			...	...	...	...	...	...
		500	0	0			800	0	0	800	0	0

The next process is to enter the bills in a Diary or Journal, which has a separate opening for each day in the year, and is in the following form:—

BILL DIARY.

Ledger Folio	Name of Acceptor.	Folio.	Name of Customer.	Amount.		
				£	s.	d.

In order to trace the entries the folio number of the Bill Ledger is stamped upon each bill, and when the bills are paid the Current Account Ledger folio is inserted in the margin of the Diary.

The bills are sorted so that each customer's are placed together in order of date on which they mature. As these documents mature the Bill Ledger Accounts are debited and Bills for Collection credited.

It is very important that bills should be presented at their due dates, because if this is not done the banker is liable for loss or damage in consequence of his neglect, and in order to prevent mistakes great care must be taken.

It has been already stated that the bills are checked against the original entries in the Diaries; but, in addition to this, the cashiers credit the totals of Bills in the Cash Books, so that if bills were not presented for payment the daily balance would be incorrect. Again, the Ledger-clerk credits the customer's account with the amount of bills due from the Diary, and, consequently, the Cash Book and Ledger would not agree if the entries had not been made in such books.

The second class of bills, *viz.*, those discounted for customers, are of great importance, since the Bank becomes the purchaser, and may be liable for the loss which would possibly arise in case such bills should be dishonoured at maturity.

With regard to the book-keeping in connection with bills discounted, it is usual to have three sets of books, *viz.*, Discount Register, Discount Diary and Ledger. The Diary would be the same as already described. The Register contains all particulars of the bills which are credited as cash to the customer's account, Bill Discount Account at the same time being debited.



## DISCOUNT REGISTER.

14TH OCTOBER, 1909.

Num- ber.	Date.	Name.	Drawer	Place of Drawing.	Payee	Upon whom Drawn.	Where Payable	Date of Drawing	Tenor.	When Due	Amount	Total.	Number of Days.	Rate.	Interest.	Total of Interest.	Rebate.
											£ s d	£ s d			£ s d	£ s d	
1701		Jones & Co.	Selves	London	Selves	Evans & Co	Cardiff	13 July	3 mos.	16 Oct	26 5 10		2	3 <sup>2</sup> / <sub>10</sub>	0 0 1		
1702		"	"	"	"	Wells & Co	Hull	20 "	"	23 "	37 1 3		9		0 0 10		
1703		"	"	"	"	F. Smith	Lincoln	25 "	"	28 "	171 15 3 235 2 4		14		0 8 0	8 11	
1704		Evans & Co.	"	"	"	F. Jones	London	1 Oct	"	4 Jan	500 0 0	500 0 0	82	3	3 7	1 3 7	1 1 7

They are also entered in the Ledger, which is as follows :—

## DISCOUNT LEDGER.

JOHN EVANS &amp; Co.

Date.	Acceptor.	Date when Due.	Dr.			Date.	Cr.			Balance.		
			£	s.	d.		£	s.	d.	£	s.	d.
1909. Jan. 1	Jones	4 April.	500	0	0					500	0	0

As the bills mature the Ledger is credited from the Diary.

In a large Bank it may be found convenient to have a Supplementary Cash Book for bills discounted and loans, so that the daily transactions on these accounts may be recorded. At the close of the day's business the totals of this book are carried into the Cash Summary Book, which is a complete record of all the financial operations of the Bank.

When a separate Cash Book is utilised the transactions would be shown as follows in the following form :—

## DISCOUNT CASH BOOK.

2ND JANUARY, 1900.

1900.		£	s.	d.	1900.		£	s.	d.
Jan. 2	W. Brown—Loan paid off . .	500	0	0	Jan. 2	Loans granted—J. Evans on demand	600	0	0
	Bills Discounted, matured as per Diary . .	1,000	0	0		Sundry Bills Discounted . .	2,000	0	0
		1,500	0	0			2,600	0	0

## CASH SUMMARY BOOK.

1900.		£	s.	d.	1900.		£	s.	d.
Jan. 2	Discount Cash Book total . . .	1,500	0	0	Jan. 2	Discount Cash Book total . . .	2,600	0	0
	J. Evans—Loan on Demand . .	600	0	0		W. Brown — Loan paid off . .	500	0	0

From the above we observe that J. Evans & Co.'s Current Account is credited with a loan of £600, and in addition this firm has discounted a bill for £500 as shown in the Ledger. The sum of £1,000 received for bills discounted and paid at maturity would be

shown in the total of cash received during the day ; if the bills were payable at Clearing Bankers, the total amount to be received from the Clearing House would be increased by the said sum.

On reference to the Discount Cash Book it will be seen that the principles of double entry are carried out for the various transactions, so that each debit in the Discount Ledger has a corresponding credit in the Current Account Ledger.

The third class of bills, *viz.*, those accepted on behalf of customers or foreign correspondents, and known as Acceptances, are somewhat important, because such bills appear in the statement of accounts of the leading Joint Stock Banks as liabilities of considerable magnitude.

On reference to these it will be noticed that the Acceptances appear on both sides of the account ; this is necessary because although they form an item as a liability yet at the same time the Bank holds corresponding assets possibly of higher value.

With regard to the Book-keeping connected with Acceptances the first procedure is to enter them in an Advice Book when the customer or foreign correspondent advises that the bills have been drawn.

#### ADVICE BOOK.

Name.	Number.	Term	Due Date	When Paid	Amount		
					£	s.	d.
J. Jones	506	3 months	4 March	4 March	100	0	0

The bills are also entered in the Advice Diary Book which is similar to that used for Discounts or Short Bills, and when accepted are discharged.

#### ADVICE DIARY BOOK.

4TH MARCH, 1909.

Number of Bill.	Advice.			Discharge when Accepted		
	£	s.	d.	£	s.	d.
506	100	0	0	100	0	0

The Acceptance Draft Journal gives a complete record of the Acceptances and is kept in the following manner :—

Date	Number	Drawer's Name	Date of Draft	Term	Payee	Customer's Number	When Accepted	Due	Amount	Amount	Holder of Draft
1909 March 1	560	Pennsylvania Bank	Jan 1	3 months	W Brown	820	Feb 26	March 1	£ 100 50 200	350	

The total amount accepted on behalf of each Bank or correspondent is entered in the Acceptance Ledger, the balances showing the liability on each Correspondent's Account.

This book is in the following form :—

MICHIGAN BANK.

Date.	Due	Accepted.	Paid		Outstanding.	

Bills are also entered in the Acceptance Cash Book for the purpose of check ; the total of this book must agree with the Advice Diary Cash Book.

When the General Ledger is considered it will be seen that all the transactions on Acceptance Account are recorded by means of two accounts, viz., Bills Payable Account and Acceptance Account.

The total amount accepted daily is debited to Acceptance Account and the total paid is credited to Bills Payable Account ; so that the balance outstanding shows the liability of the Bank for Acceptances. These are Impersonal Accounts and do not affect the amount of cash held. On the maturity of the bills the amount is debited to the Current Accounts of the drawers, Cash Account being credited. The process is practically the same as when a cheque is paid on an ordinary Current Account.

## CHAPTER XI.

### LOANS.

THE loan transactions may be subdivided and if necessary separate Ledgers utilised for each class.

For example, loans to Stockbrokers, Billbrokers, and Customers generally require books showing the securities deposited as cover. For this purpose a Journal is required which gives the necessary particulars of all securities deposited or withdrawn, and from this book the various entries are posted in the Ledger.

The Ledger is also a record of the advance, the customer's current account being credited and his account in the Loan Ledger debited: he is therefore a creditor in the Current Account Ledger and a debtor in the Loan Ledger.

When a loan is granted an entry is made in a Diary of the due date, and in the ordinary way the loan is discharged at maturity unless the customer obtains a renewal for a further term.

The total amount of loans entered in the Ledger represents the advances to customers and appears as a part of the assets in the balance statement of the Bank.

All Securities lodged as cover for loans are carefully examined in order to ascertain whether they are negotiable and the Bank's title to the same is valid.

The Securities deposited are usually of the following description:—

- Bearer Securities.
- Registered Stocks and Shares.
- Inscribed Stocks.
- Leasehold Property.
- Freehold Property.
- Life Insurance Policies.
- Guarantees.
- Warrants for Produce.

If the Securities are in order they are delivered to the Securities Office for safe custody.

## LOANS.

## CUSTOMERS' LOAN LEDGER.

JONES &amp; Co.

Date	Loan	Paid Off	Balance.	Rate	Interest			Date	Description of Security.	Price	Value.	To whom Delivered.
					Date.	No. of Days	Amount					
1909.					1909.		£ 1 s d					
Jan. 5	500		500		Jan. 5	5	0 5 5		£1,000 Egypt			
" 10		200	300	4	" 10				Unified Bonds	101	£1,010	

Warrants representing tea, coffee, sugar, spices, drugs, or other commodities deposited as security for loan require a subsidiary Ledger giving full particulars as follows :—

Date.	Amount of Loan.	Customer's Warrant Number	Warrant Number.	Rent last paid	Description.	Weight	Price.	Value	Date of Delivery.
1900. Jan. 10		500	21,220	11 08	Tea	670 lb.	1s. 2½d	£30	



## CHAPTER XII.

### SECURITIES.

ALL Securities, whether the Bank's property or held on behalf of customers, are kept in the Securities Department where a complete set of books is necessary in order to record all transactions connected with such documents.

The daily receipts and deliveries are shown in the Journal and posted from this book into the Ledger which contains all particulars respecting the Securities. The Journal in a large establishment may be divided into two sections, *viz.*, for securities received or delivered.

#### SECURITIES JOURNAL RECEIVED.

Date.	Name	Amount	Description	Folio	From whom Received.
1909. April 10	Wm. Smith	£10,000	Brazilian 5 per cent. Bonds	20	John Evans & Co.

#### SECURITIES JOURNAL DELIVERED.

Date.	Name	Amount.	Description.	Folio.	To whom Delivered
1909. May 5	F. Jones	£1,000	Chilian 5 per cent. Bonds	30	Robinson & Co.

The entries from the Journal are posted in the Securities Ledger which contains a complete record of the customer's property. If the transactions are numerous it may be convenient to have separate Ledgers for Bearer Securities, Registered Stocks, Deeds and Boxes left for safe custody. The following is a specimen Ledger for Bearer Securities.

## WILLIAM SMITH.

Date 1900	Description of Security Received.	Amount.	Date 1900	Particulars of Security Delivered	Amount.	Balance.
April	Brazilian 5 per cent. Bonds Nos. 10500/9 = 10/1000	£10,000	Sep.	£2,000 Brazilian 5 per cent Bonds 10500/1 = 2/1000	2,000	£10,000
						£8,000

A set of books is required for the collection of coupons, but such books only contain a register of the names of the customers with the amount of coupons less tax which are credited to customers' accounts at maturity.

This is effected by means of dockets which are delivered to the Receiving Cashiers who credit the customers' accounts by debiting Coupon Account; it is also desirable to keep a register of the dates when coupons mature.

As a great number of Bonds are redeemed by annual drawings, it is necessary to examine the published lists carefully in order to present drawn bonds for payment without delay, as interest ceases from the date of redemption.

## REGISTRATION OF STOCKS AND SHARES.

Many of the London Banks, including the Bank of England, undertake the registration of Stocks and Shares, it is therefore desirable to explain the book-keeping to carry out such work.

There are two systems in use which may be designated as the Book and Deed Systems.

The first method of registration is effected by means of a Ticket and Receipt.

When a transfer is required the Stockbroker employed makes out a ticket in the following form :—

— Bank day of 1900.

From John Evans of Glamorgan, Gentleman, £1,000 Liverpool Corporation  
Stock to George Jones, of Bideford, Merchant. Examined  
Dr. fo. Cr. to. Transfer by

The clerk refers to the Ledger and if the particulars with regard to the transferor are correct he makes the entry in the Transfer Book which contains a series of blank forms of transfer. The Stockbroker

has to prepare a document known as a Stock Receipt which contains particulars of the transaction in the following form:—

LIVERPOOL CORPORATION STOCK. £1,000, c. 99½.  
£3 10s. per cent.

Transfer Days:	Received this      day of      1909 of George	
Monday,	Jones hereinafter called the said Transferee the	
Tuesday,	sum of nine hundred and ninety-three pounds fif-	
Wednesday,	teen shillings being the consideration for one thou-	
Thursday,	sand pounds interest or share in the Liverpool Cor-	
Friday,	poration £3 10s. per cent transferable at the Bank	£992 10
Holidays	of England and all my Property and Interest in and	Com. 1 5
excepted.	Right to the same and the Dividends thereof by me	-----
	this day transferred unto the same transferee.	£993 15

Witness my hand,

Witness,

The transferor signs this Receipt as well as the Transfer Book which is a formal discharge to the Bank. The Stock Receipt is then given to the broker who delivers it to George Jones, the buyer of the Stock.

The transfer is a deed of conveyance, and the particulars are posted in the Stock Ledger; a new account is at the same time opened in the name of George Jones.

The Deed System is somewhat similar, but instead of a ticket, a deed is prepared in the following form:—

I, William Evans of Sheffield Gentleman in consideration of the sum of Four hundred pounds paid by Edward Jenkins of Newcastle-on-Tyne Gentleman hereinafter called the said Transferee do hereby bargain sell assign and transfer to the said Transferee Four hundred pounds Consolidated Stock of and in the undertaking called Lincoln Corporation Stock To hold unto the said Transferee his Executors Administrators and Assigns subject to the several conditions on which I held the same immediately before the Execution thereof and I the said Transferee do hereby agree to accept and take the said Stock subject to the conditions aforesaid. As witness our Hands and Seals this      day of      in the year of our Lord one thousand nine hundred and ten.

Signed sealed and delivered by the above named William Evans  
in the presence of

Signed sealed and delivered by the above named Edward Jenkins  
in the presence of

When this Deed has been signed and witnessed by the transferor and transferee it is lodged for registration with a Certificate representing the Stock previously issued by the Bank to the transferor.

No transfer is registered without the production of this Certificate which gives full particulars of the Stock held.

When the Deed and Certificate are left for registration the particulars are copied into the Transfer Register, which is in the following form:—

From whom Transferred.				To whom Transferred.			
No.	Date of Transfer.	Name and Address	Dr. fo.	Name and Address	Cr. fo.	Amount.	Certificate Sent.
						£ s. d.	

With the exception of the Deed and Certificate the two systems are identical, because in both cases the particulars of the transaction must be posted in the Stock Ledger, which is as follows:—

## EDWARD JENKINS.

Date.	Transfer No.	From whom Transferred	Dr.			Cr.			Balance	Record of Powers of Attorney.
			£	s.	d.	£	s.	d.	£ s. d.	
						400	0	0	400 0 0	

The names and descriptions of the Stockholders are entered from the Transfer Register, the Ledger being similar to the Current Account Ledger.

In order to pay the quarterly or half-yearly dividends a balance is struck on a particular day, either a fortnight or a month before the dividends are due, and all transactions after the specified dates are "Ex dividend".

The usual method is to balance all the accounts in the Stock Ledger and then ascertain whether the total agrees with the amount of Stock issued to the public.

If correct the particulars are copied in the Dividend Book which is as follows:—

No.	Name	Amount of Stock		Dividend.		Income Tax.			Net Amount	By whom Received.	Date Payment.
		£	s. d.	£	s. d.	£	s.	d.	£ s. d.		

The interest is calculated on each amount of Stock, and the total

should agree with the half-yearly interest on the amount of Stock issued.

When this has been done the Dividend Warrants are prepared and sent by post at the request of the Stockholders to their registered addresses, or paid to a specified Bank.

If the Book system is adopted the Stock can be transferred by means of a Power of Attorney which obviates the necessity of a personal attendance. This Power bears a ten-shilling impressed stamp and must be executed by the Stockholder or Stockholders before two witnesses who must add their addresses and occupations.

Powers of Attorney are usually in favour of a Bank or Stockbroker, and when lodged a personal attendance is necessary in order to make the transfer, when the Stock Receipt is delivered.

## CHAPTER XIII.

### AGENCY OF COUNTRY AND FOREIGN BANKS.

THE London Banks act as agents for Country and Foreign Banks the book-keeping being similar to that for Current Accounts.

The relationship between the Agent and the Country Bank is the same as the Head Office and a branch; the Country Bank is a creditor if it has a credit balance and *vice versa* if the account is overdrawn.

The entries in the books of the London Agent would in every case be the reverse of those of the Country Bank. This is seen from the daily advice to the London Agent:—

We wrote you on the                      and have since received your letter of the same date, and now enclose for the credit of the Bank, bills etc., value £10,000 and notes £500, total £10,500, also country cheques value £12,000.

Please honour the enclosed list of Drafts, amount £5,000, and Acceptances, amount £2,000 as per list enclosed.

The Ledger Account would show a creditor balance for £10,500, but when the country cheques are paid this would be increased to £22,500. On the other hand, when the Drafts were paid this balance is reduced to £17,500. The London Bank is therefore a debtor to the Country Bank for £17,500.

The Ledger Account would be as follows:—

#### ——— BANK.

Dr				Cr.			Dr Balance			Cr Balance		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909												
July 1	5,000	0	0	10,500	0	0				5,500	0	0
" 3				12,000	0	0				17,500	0	0

There are two distinct accounts in connection with a Country Bank when Bills of Exchange are drawn upon the London Correspondent, *viz.*, the Cash and the General Account.

The first named is the Ledger or Current Account of receipts and payments, but the separate items on the received side of the account only appear in a Supplementary Cash Book, the total amount being carried into the Ledger—a statement of the separate items being forwarded at the close of each day. The General Account, however, includes a statement of all bills sent for collection and bills drawn upon the Bank for acceptance.

The General Account is kept in the following manner:—

Payments.				Receipts.			
1909.		£	s. d.	1909.		£	s. d.
Nov. 16	Cash (all items paid during the day as shown in the Ledger Account, including Acceptances and paid cheques)	20,000	0 0	Nov. 16	Cash Received during the day	40,000	0 0
	Total of Drafts advised to be paid	5,000	0 0		Bills remitted for collection	10,000	0 0
	Balance	25,000	0 0				
		50,000	0 0			50,000	0 0

Should the Country Bank have branches the above amount of £40,000 would include cash received for them, such sums being advised to the Head Office as well as to each branch.

On the other hand, the amount paid is advised to the Head Office alone, the branches being subsequently informed of the amount on their Cash Account from the Head Office. It is usual to agree the General Account with the Current Account quarterly: this is done by making an abstract of the bills not due on the Received side of the account, and an abstract of the Drafts not paid on the Paid side of the account. The balance of the outstanding Receipts and Payments added to or deducted from the Current Account should equal the balance on the General Account.

The book-keeping in connection with Acceptances has already been described.

The Drafts drawn on the London Bank are either on demand or at stated periods, and when the advice sheet is received the particulars are entered in the *Advice Book* as follows:—

Date	Drawee.	Period.	When Due	When Paid	Accepted.	Amount.		
1909.	No.					£	s.	d.
Jan. 1	Evans	6500 14 days	Jan. 18	Jan. 21	a.	100	0	0

### LETTERS OF CREDIT—CIRCULAR NOTES.

The issue of Circular Notes and Letters of Credit is convenient for those travelling abroad, because it obviates the necessity of taking coin and bank notes.

The book-keeping in connection with the same is as follows :—

An Account is opened in the Impersonal Ledger entitled Letters of Credit, the customer's account being debited for the amount required and this account credited.

Payments on Letters of Credit are made by foreign correspondents who draw upon the London Bank, and when such Drafts are presented for payment they are debited to the Letters of Credit Account.

Attached to the Letter of Credit is a ruled form for recording the payments as follows :—

Date	By whom Paid	Amount Paid	Amount in Figures		
1909.			£	s.	d.
Jan. 5	Credit Lyonnais Paris	One hundred pounds	100	0	0

If the Letter of Credit is not exhausted the London Bank credits the customer's account with the balance when returned.

In a similar manner the Circular Notes Account is kept ; when the notes are paid abroad they are remitted for collection and debited to the account.

The customer's account is debited when notes are issued to him and the amount credited to the Circular Notes Account, and if there are any unused notes, the customer's account is credited on their receipt and they are cancelled.

The balances of the two accounts named appear in the General Ledger.



## CHAPTER XIV.

### GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER.

THE various transactions on Current and Deposit Accounts, Bills of Exchange, and Loans, also on Account of Country and Foreign Banks have been described, but the totals must be recorded in a separate set of books which is a summary of the whole banking operations.

These entries are made in the Journal or General Cash Book and the General or Impersonal Ledger.

We have noticed that a trader makes a series of opening entries, and the same thing takes place in a Bank, the assets and liabilities, including the Profit and Loss Accounts, being arranged in a definite order.

The following is an example of such entries, other accounts being subsequently opened when required :—

<i>Assets.</i>	<i>Liabilities.</i>
Cash.	Current Accounts, Town
Bank of England.	"    "    Country.
Bills Discounted.	Branches.
Promissory Notes.	Deposit Receipts.
Loans.	Letters of Credit.
✓ Money at Call.	Circular Notes.
Overdrawn Accounts, Town.	Bills Payable.
"    "    Country.	Interest Received (Profit and Loss).
Acceptance Account.	Commission (    "    "    "    "    ).
Stamps on Cheques.	Capital Account.
Suspense Account.	Reserve Fund.
Interest Paid (Profit and Loss).	
Charges (    "    "    "    "    ).	
Bank Premises.	
Investment Account.	

Although the Reserve Fund is mentioned, this account would not exist in the case of a Bank starting business.

It will be noticed that the various Profit and Loss Accounts, such as Interest Paid, Charges, Interest Received and Commission are quite similar to a merchant's accounts.

The entries from the General Cash Book to the Ledger will be

subsequently described, but it is necessary to explain the accounts which appear in the former *General Cash Book*.

The Cash Book subsequently described is an illustration of banking operations on a large scale, and contains a summary of the principal books in use.

When the totals of such books have been carried into the Cash Book, the debtor and creditor sides of the account will not agree until the money is taken into account, this consists of the balance of £65,000 from the previous day which appears on the debit side, and the balance in hand at the close of the day which appears on the credit side, of £80,000. Unless every entry is correct the General Cash Book will not balance.

On reference to the daily entries in this book, of which a specimen is given on page 94, it will be noticed that Cash is *Debtor* for all sums paid in and *Creditor* for all sums drawn out, the only exception being the Bank of England Account.

The various Accounts which usually appear in the Cash Book will now be described.

The first entries are on Current Accounts which are divided into three groups, *viz.*, Town Accounts, Country Accounts and Branch Accounts, the last named representing the totals received from all the branch establishments.

The Bank of England Account is an important one, because it is the custom of the Bank to keep a large proportion of its Cash Reserve with that Institution.

The amount drawn out appears on the debtor side of the account, this is in consequence of the account being always debtor in the books of the Bank.

This account is utilised for the purpose of replenishing the stock of Coin and Notes, and the daily amount to be received or paid at the Clearing House is settled by means of this Account.

Deposit Receipts represent the day's transactions on Deposit Accounts which are kept quite distinct from Current Accounts.

Bills Discounted and Promissory Notes show on the *Debit* side the amount received on bills due and on the *Credit* side the total amount of these documents which have been discounted for customers and credited to their accounts. This is in consequence of cash being increased when bills fall due and *vice versa* when discounted.

With regard to Loans it is usual to show each transaction in the General Cash Book, Loans paid off appearing on the *Debit* side and loans granted on the *Credit* side.

## 92 GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER.

Money at Call represents Loans to Bill Brokers on demand and forms one of the principal assets, since the Bank is able at short notice to call in such Loans.

The next entry refers to Overdrafts and shows the transactions on each side of the account, the balance being the amount owing to the Bank. Overdrafts are practically of the same nature as Loans, but appear in the Current Account Ledgers as Current Accounts. Letters of Credit and Circular Notes represent the amount of such documents which are issued to customers for the purpose of being used abroad—the customer's account being debited and the accounts named credited. A list of correspondents is given so that the customers can obtain the amount required from Banks and Mercantile Houses abroad. The correspondent draws upon the Bank for the amount paid on Letters of Credit.

When these Drafts or Notes are presented for payment they are debited to these accounts and the balance represents the amount outstanding. The method of dealing with Acceptances has been already stated, but the transactions must be shown since they form a liability.

Bills Payable is the daily amount accepted on behalf of country and foreign correspondents, the account being credited when bills are accepted and at the same time Acceptance Account is debited.

When the bills mature the reverse operation takes place, Bills Payable being debited and Acceptance Account credited. The balance on these two Accounts should therefore agree and represents the liability of the Bank.

Stamps on cheques represents the amount paid to the Inland Revenue for Stamp Duty on cheques. When a customer is given a Cheque Book this account is credited. The cost of printing cheques is debited to Charges Account, since the customer is not usually debited for the cost unless a special form of cheque is required.

Interest Received is a Profit and Loss Account and shows the amount received on Bills Discounted, Loans, or on Overdrafts; Customers' Accounts are debited and Interest Received credited when bills are discounted or loans discharged.

When interest is received on Bills Discounted and the bills mature after the end of the half-yearly balance, a part of the interest represents profit for the next half-year; it is therefore necessary to show this on a Rebate Account. Many Banks do not consider it necessary to give the exact amount but only a rough estimate. For example, if the Bank held £30,000 Bills on the 31st December, which mature on 4th April,

the sum of £375 would be deducted if the rate of interest was 5 per cent.

Commission Account shows the amount received from customers for various transactions, such as the privilege of keeping a Drawing Account, the commission on overdrawn accounts, the amount paid by foreign Banks and other correspondents for the acceptance of Drafts drawn by them and also commission allowed by brokers on Stocks and Shares sold by the Bank.

Suspense Account transactions are those which cannot be effected until full particulars have been advised as to the correct accounts to be credited or debited. For example, a dividend is received from some Company and it is found necessary to make inquiries as to its disposal ; in the meanwhile the amount is credited to Suspense Account.

Interest Paid represents interest paid on Deposit Receipts and also on Current Accounts when allowed.

On the credit side the accounts are similar in character to those already described, and amongst them are the following.

*Indorsement on Bills Sold.*—This account is opened for the purpose of showing the Bank's liability on account of bills endorsed for customers before they are sold in the market.

For this purpose, two accounts are opened, *viz.*, Endorsement on Bills Sold and Bills Sold, because a Contra Account is necessary since customers are liable for the transaction.

When bills are paid a reversing entry is made, Endorsement on Bills Sold being credited and Bills Sold debited.

Another important account is Bank Premises ; particulars of the property belonging to the Bank may be kept in a separate Ledger, but it is desirable to have a uniform method for recording such particulars, which may be as follows :—

## BRANCH K.

Freehold or Leasehold.	Expiration of Lease	Ground Rent	Rated at.	Year Purchased.	Cost.	Present Value.

# 4 GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER.

Saturday, 13th November, 1909.

CASH. Dr.	Fo.	£	s.	d.	£	s.	d.	CASH. Cr.
62. To Town Current A/cs, Paid in	62.	1,395,737	6	4	By Town Current A/cs, Drawn out.			1,344,463
82. " Country Current A/cs, Paid in	82.	440,000	0	0	" Country Current A/cs, Drawn out			478,000
102. " Branches, Paid in	102.	1,131,000	0	0	" Branches, Drawn out			1,133,000
42. " Bank of England, Drawn out	42.	442,000	0	0	" Bank of England, Paid in			445,000
122. " Deposit Receipts, Paid in	122.	500	0	0	" Deposit Receipts, Drawn out			50
142. " Bills Discounted, Per Diary	142.	5,000	0	0	" Bills Discounted to Current A/cs			3,000
" Promissory Notes Discounted, Per Diary					" Promissory Notes Discounted			
162. " Loans Paid off—	162.				" Loans Granted—			
" A. Roberts & Co.		7,950	0	0	" Chas. Spence & Co			5,695
" Money at Call					" Money at Call			
182. " Current A/cs Dr., Town	182.	33,000	0	0	" Current A/cs Dr., Town			32,000
202. " Current A/cs Dr., Country.	202.	36,000	0	0	" Current A/cs, Country			35,000
" Letters of Credit					" Letters of Credit			
" Circular Notes					" Circular Notes			
222. " Bills Payable	222.	25,000	0	0	" Bills Payable			70,000
223. " Acceptance A/c	223.	70,000	0	0	" Acceptance A/c			25,000
" Stamps on Cheques					" Stamps on Cheques			
242. " Interest Received—	242.				" Interest Paid on Deposits			
" On Discounts		10	0	0	" Changes			2
" On Loans		13	14	3	" Suspense A/c			
" Commission								
" Suspense A/c								
" Balance from 12th November		3,586,211	0	7	" Balance to 13th November			3,571,211
		65,000	0	0				80,000
		3,651,211	0	7				3,651,211

## GENERAL LEDGER.

All the entries in the Cash Book must be posted in the General Ledger, which contains a complete record of the assets and liabilities as well as other Impersonal Accounts.

This book is similar to the Private Ledger of a firm which is kept for the purpose of keeping the profit and loss accounts distinct from trading or other accounts.

In order to show that the entries have been made from the Cash Book to the Ledger, the folio number of the Ledger Account is inserted against each entry.

With regard to Investments it is necessary to have a separate Ledger which gives full particulars with respect to every Stock, which may be kept so as to give particulars as to interest or dividends which have been received.

The following would be an example of an entry in the Ledger:—

## CONSOLS

Date of Purchase.	Amount of Stock.	Price	Cost	Dividend Due	Date Sold	Amount.	Price	Proceeds	Dividends Received.
	£	£	£		1909	£	£	£	1909.
1908.	4,000	84	3,360	Jan. 5	March 5	3,000	85	2,550	Jan. 5
Oct. 2				April 5					£
				July 5					25
				Oct. 5					

When Stock is sold Cash Account is increased, which may be shown in the Bank of England Account, since the cheque received from the Brokers would be paid through the Clearing House, the balance on Investment Account being correspondingly diminished.

It will be observed that the balances of the previous day are shown on reference to the Ledger entries, and if they are taken out the debtor will equal the credit or balances.

The first account is Cash, and it will be noticed that only the totals of debit and credit are posted. The balance remaining is, £80,000 which is the same as in the Journal.

The balances, either debit or credit, are shown in the outer columns, and in order to verify the entries it is usual to take them out daily in a Summary Book, which gives a complete balance sheet with the assets and liabilities of the Bank. There are two accounts, Shareholders'

## 96 GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER.

Capital and Reserve Fund, which are practically the same as that of a merchant; the first named represents the amount of capital required to carry on the business of banking. The Reserve Fund shows the accumulated profits of the Bank.

### CASH.

		Dr		Cr		Dr. Balance.		Cr Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.						65,00	0 0		
Nov. 13	To	3,586,211	0 7						
	By			3,571,211	0 7	80,000	0 0		

### BANK OF ENGLAND.

		Dr		Cr		Dr Balance		Cr Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.						774,000	0 0		
Nov. 13	To	445,00	0 0						
	By			442,000	0 0	777,000	0 0		

### CURRENT ACCOUNTS—TOWN.

		Dr		Cr		Dr Balance		Cr Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.								1,757,000	0 0
Nov. 18	By			1,395,737	6 4				
	To	1,344,463	14 3					1,808,273	12 1

### CURRENT ACCOUNTS—COUNTRY.

		Dr		Cr		Dr Balance		Cr Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909								1,644,000	0 0
Nov. 18	By			440,000	0 0				
	To	478,000	0 0					1,606,000	0 0

### BRANCHES

		Dr.		Cr.		Dr. Balance		Cr Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.								1,000,000	0 0
Nov. 18	By			1,131,000	0 0				
	To	1,133,000	0 0					998,000	0 0

# GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER. 97

## DEPOSIT RECEIPTS.

		Dr		Cr		Dr. Balance		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.								548,000	0 0
Nov. 13	By			500	0 0				
	To	50	0 0					513,450	0 0

## BILLS DISCOUNTED

		Dr		Cr		Dr. Balance		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909						429,000	0 0		
Nov. 13	To	3,000	0 0						
	By			5,000	0 0	427,000	0 0		

## PROMISSORY NOTES.

		Dr		Cr		Dr. Balance		Cr. Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909						16,000	0 0		

## LOANS.

		Dr		Cr		Dr. Balance		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909						706,000	0 0		
Nov. 13	To	5,695	0 0						
	By			7,950	0 0	703,715	0 0		

## MONEY AT CALL.

		Dr.		Cr.		Dr. Balance		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.						1,351,000	0 0		

## CURRENT ACCOUNTS Dr.—TOWN.

		Dr.		Cr.		Dr. Balance		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.						33,000	0 0		
Nov. 13	By			33,000	0 0				
	To	32,000	0 0			32,000	0 0		



# 98 GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER.

## CURRENT ACCOUNTS Dr.—COUNTRY.

		Dr.			Cr.			Dr. Balance.			Cr. Balance.		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.								3,000	0	0			
Nov. 13	By To	35,000	0	0	36 000	0	0	35,000	0	0			

## LETTERS OF CREDIT.

	Dr.			Cr.			Dr. Balance			Cr. Balance		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.										200	0	0

## CIRCULAR NOTES

	Dr.			Cr.			Dr. Balance			Cr. Balance		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.										100	0	0

## STAMPS ON CHEQUES.

		Dr.		Cr.		Dr. Balance		Cr. Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.						300	0		

## STAMPS ON FOREIGN BILLS.

		Dr		Cr		Dr Balance			Cr Balance		
		£	s. d.	£	s. d.	£	s	d.	£	s.	d.
1909.						300	0	0			

## BILLS PAYABLE.

		Dr.			Cr			Dr. Balance.			Cr. Balance.		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.											215,000	0	0
Nov. 13	By To	70,000	0	0	25,000	0	0				170,000	0	0

### ACCEPTANCE ACCOUNT.

		Dr.		Cr.		Dr. Balance.		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909						215,000	0 0		
Nov. 13	To	25,000	0 0						
	By			70,000	0 0	170,000	0 0		

INTEREST RECEIVED

		Dr		Cr.		Dr Balance		Cr Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.								12,000	0 0
Nov. 13	By			23	14 3			12,028	14 3

INTEREST PAID.

		Dr		Cr		Dr Balance.			Cr Balance.		
		£	s. d.	£	s. d.	£	s.	d.	£	s.	d.
1909.						2,000	0	0			
Nov. 13	To	2	6 4			2,002	6	4			

### CHARGES.

	Dr		Cr		Dr Balance		Cr. Balance.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.					8,000	0 0		

COMMISSION.

[illegible]

### PROFIT AND LOSS.

[illegible]

# 100 GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER.

## SUSPENSE ACCOUNT.

		Dr.			Cr.			Dr. Balance.			Cr. Balance		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.											7,300	0	0

## INVESTMENTS.

		Dr.			Cr.			Dr. Balance			Cr. Balance		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.								2,037,000	0	0			

## RESERVE.

		Dr.			Cr.			Dr. Balance			Cr. Balance		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.								500,000	0	0			

## BANK PREMISES.

		Dr.			Cr.			Dr. Balance			Cr. Balance		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.								8,000	0	0			

## CAPITAL ACCOUNT.

		Dr.			Cr.			Dr. Balance			Cr. Balance		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1909.											1,000,000	0	0

# GENERAL CASH BOOK—GENERAL OR IMPERSONAL LEDGER. 101

## BALANCES OF GENERAL OR IMPERSONAL LEDGER.

SATURDAY, 13TH NOVEMBER, 1909.

Dr Balances.				Cr Balances		
£	s.	d.		£	s.	d.
2,037,000	0	0	Capital . . . . .	1,000,000	0	0
500,000	0	0	Investments . . . . .			
80,000	0	0	Reserve . . . . .			
777,000	0	0	Cash . . . . .			
427,000	0	0	Bank of England . . . . .			
16,000	0	0	Bills Discounted . . . . .			
703,745	0	0	Promissory Notes Discounted . . . . .			
1,351,000	0	0	Loans . . . . .			
8,000	0	0	Money at Call . . . . .			
32,000	0	0	Bank Premises . . . . .			
35,000	0	0	Current Accounts, Town . . . . .	1,808,273	12	1
			"    County . . . . .	1,800,000	0	0
			Branches . . . . .	998,000	0	0
			Deposits . . . . .	548,450	0	0
			Letters of Credit . . . . .	200	0	0
			Circular Notes . . . . .	100	0	0
			Bills Payable . . . . .	170,000	0	0
170,000	0	0	Acceptance Account . . . . .			
300	0	0	Stamps on Cheques . . . . .			
300	0	0	"    on Foreign Bills . . . . .			
			Suspense Account . . . . .	7,300	0	0
			Profit and Loss . . . . .			
			Interest Received . . . . .	12,023	14	3
2,002	6	4	"    Paid . . . . .			
8,000	0	0	Charges . . . . .			
			Commission . . . . .	2,000	0	0
6,147,347	6	4		6,147,347	6	4

The Monthly Return of Cash held and at the Bank of England can always be given from the above daily statement of Assets and Liabilities.

## CHAPTER XV.

### PROFIT AND LOSS.

THE most important accounts in the General Ledger are Profit and Loss, since they represent the actual gains or losses made during the six months.

These accounts are as follows :—

- Interest Received.
- Interest Paid.
- Commission.
- Charges.
- Bad or Doubtful Debts.
- Rent.
- Overdue Bills.
- Interest on Investments.

They are classified into two divisions as follows :—

#### Profit.

- Interest Received.
- Commission.
- Interest on Investments
- Profit and Loss Credit.
- Rent.

#### Loss.

- Interest Paid.
- Overdue Bills.
- Bad or Doubtful Debts.
- Rent.
- Profit and Loss Debtor.
- Charges (including Taxes).

It will be noticed that two accounts designated Profit and Loss, Debtor and Creditor, are added to the above. These accounts are used for the purpose of debit or credit entries in case of losses or gains. There are in addition adjusting entries for Rebate which represents interest received for such bills discounted which mature after the end

of the half-year, a proportionate amount being carried to the next half-year's account.

In order to show this the *actual* amount received during the half-year is debited and the amount of the previous half-year credited.

It is also necessary to show in the Profit and Loss Account the amount of interest accrued on various accounts although not actually paid; for this purpose an account entitled "Adjusting Interest Account" is opened and all interest owing to or from the Bank is either credited or debited.

For example interest due on Current Accounts, Deposit Accounts, or Past Due Bills Account must be debited by means of this Impersonal Account because it represents a liability.

Thus, if £10,000 represents the interest due at the end of the previous half-year but not paid, this amount would appear in the General Ledger to the debit of Adjusting Interest Account, and must be credited to Interest Paid. On the other hand, if the Interest due to the current half-year is £30,000 this sum is debited to Interest Paid and credited to Adjusting Interest Account. The following would represent the entries :—

Debit Adjusting Interest Account . . . . .	£10,000
Credit Interest Paid <i>per contra</i> . . . . .	10,000
Interest due on Deposit Accounts to 30th June, 1909.	

Debit Interest Paid . . . . .	30,000
Credit Adjusting Interest Account . . . . .	30,000
Interest due on Deposit Account to 31st December, 1909	

The reversing entries are made at the end of each half-year so that the total liability for interest appears in the accounts. From the General Ledger the following Profit and Loss Accounts appear :—

	£	s.	d.		£	s.	d.
To Interest Paid . . . . .	2,002	6	4	By Interest Received . . . . .	12,023	14	3
" Charges Paid . . . . .	8,000	0	0	" Commission . . . . .	2,000		
" Rebate . . . . .				" Rebate . . . . .			
" Profit and Loss . . . . .				" Profit and Loss . . . . .			
	10,002	6	4				
Balance . . . . .	4,021	7	11				
	14,023	14	3		14,023	14	3

In the above statement the Rebate does not appear as a Ledger entry, but if necessary it could be dealt with in the same manner as Deposit Interest.

The Profit and Loss Accounts Debtor and Creditor do not show any balance, but as already stated all the losses or gains would appear so that the balance of Profit and Loss Account represents the *actual* profit made during the half-year, and a proportionate amount is transferred to Dividend Account which is subsequently paid to the Shareholders.

The balance of Profit and Loss Account is carried forward to the next half-year's profits.

## CHAPTER XVI.

### BRANCH BOOK-KEEPING.

THE amalgamation of Banks and the great increase in branch offices throughout the country require a uniformity of accounts.

It would be almost impossible to carry on the present system of banking without a perfect system of returns with full information respecting banking operations.

The book-keeping is somewhat similar to that of the Head Office with the exception of an account in the General Ledger called the Head Office Cash Account, which records all transactions between the Head Office and the Branch.

It is simply the Account Current of the merchant to his Agent giving details of the ordinary business transactions, viz., the Head Office being debtor to the Branch for money received and creditor for money paid.

A copy of the Cash Account is sent daily from the Branch together with a Letter of Advice stating the principal banking operations which have taken place. Cheques and Bills are also forwarded for collection, the majority being paid through the Clearing House.

For example, a Branch at Plymouth sends cheques drawn upon Banks at Bristol. These cheques are presented for payment to the London Agents of the Bristol Banks at the Clearing House. This method is of great importance because *one* payment is made at the Clearing House for the majority of cheques sent to London for collection.

This statement also includes an account of the banking operations which the Head Office is required to carry out, and on receipt of the same the various entries either debit or credit are made in the Ledger Account entitled Plymouth Branch, and it is the duty of the Accountant to check such entries and see that ultimately nothing is outstanding on the Branch Account.





With regard to the book-keeping the same set of books which have been described is required.

Thus the Received and Paid Cash Books are utilised, although in a small Branch one Cash Book may suffice for receipts and payments. The Ledgers would be identical with those of the Head Office.

The following is a specimen of the daily transactions as summarised in the General Cash Book, the various entries being subsequently posted in the General Ledger. It will be noticed that the accounts are similar to those at the Head Office, with the exception of certain accounts such as Capital, Reserve, Investments, Letters of Credit, Acceptances, which do not appear.

The balances of the General Ledger are extracted daily in order to verify the entries, and the debtor and creditor sides of the statement should balance, which is of course in accordance with the double entry system of book-keeping.

It will be noticed that the balance of Cash comprises notes, coin and cheques, but only the total is posted in the Ledger; but the separate items can be ascertained from the Subsidiary Books.

The Head Office Account shows a debtor balance of £94,300 which represents the amount owing to the Branch. At the end of the half-year interest at a given rate per cent is sometimes allowed to the Branch and forms part of its profits.

## CASH.

		Dr		Cr.		Dr Balance		Cr Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.									
Dec. 31	To	339,615	0 0			20,000	0 0		
	By			332,519	0 0	27,096	0 0		

## CURRENT ACCOUNTS.

		Dr.		Cr		Dr Balance		Cr. Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.								889,110	0 0
Dec. 31	By			280,000	0 0				
	To	286,000	0 0					888,110	0 0

## DEPOSIT RECEIPTS.

		Dr		Cr.		Dr. Balance.		Cr. Balance	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.								50,000	0 0
Dec. 31	By			6,000	0 0				
	To	8,000	0 0					48,000	0 0

## BILLS DISCOUNTED

		Dr		Cr		Dr Balance		Cr Balance	
		£	s d	£	s d	£	s d	£	s d
1909						200,000	0 0		
Dec 31	To	1,500	0 0			193,500	0 0		
	By			8,000	0 0				

## PROMISSORY NOTES

		Dr		Cr		Dr Balance		Cr Balance	
		£	s d	£	s d	£	s d	£	s d
1909						6,000	0 0		
Dec 31	To	500	0 0			5,500	0 0		
	By			1 000	0 0				

## LOANS

		Dr		Cr		Dr Balance		Cr Balance	
		£	s d	£	s d	£	s d	£	s d
1909						600,000	0 0		
Dec 31	To	1 500	0 0			600,000	0 0		
	By			1 500	0 0				

## OVERDRAWN ACCOUNTS

		Dr		Cr		Dr Balance		Cr Balance	
		£	s d	£	s d	£	s d	£	s d
1909						3 000	0 0		
Dec 31	By	5,000	0 0	3 000	0 0	5,000	0 0		
	To								

## STAMPS

		Dr		Cr		Dr Balance		Cr Balance	
		£	s d	£	s d	£	s d	£	s d
1909						200	0 0		
Dec 31	By			5	0 0	195	0 0		

## INTEREST RECEIVED

		Dr		Cr		Dr Balance		Cr Balance	
		£	s d	£	s d	£	s d	£	s d
1909								10,000	0 0
Dec 31	By	10,010	0 0	10	0 0			10,010	0 0
	To P & L								

## INTEREST PAID

		Dr	Cr	Dr Balance	Cr Balance
		£ s d	£ s d	£ s d	£ s d
1909				2 000	0 0
Dec 31	To	15	0 0	2 015	0 0
	By P & L		2 015	0 0	

## CHARGES

		Dr	Cr	Dr Balance	Cr Balance
		£ s d	£ s d	£ s d	£ s d
1909				5 000	0 0
Dec 31	To	4	0 0	5 004	0 0
	By P & L		5 004	0 0	

## COMMISSION

		Dr	Cr	Dr Balance	Cr Balance
		£ s d	£ s d	£ s d	£ s d
1909					950
Dec 31	By		20		0 0
	To P & L	970	0 0		970

## EXPENSE ACCOUNT

		Dr	Cr	Dr Balance	Cr Balance
		£ s d	£ s d	£ s d	£ s d
1909				280	0 0
Dec 31					

## RENT

		Dr	Cr	Dr Balance	Cr Balance
		£ s d	£ s d	£ s d	£ s d
1909				200	0 0
Dec 31	By P & L		200	0 0	

## HEAD OFFICE

		Dr	Cr	Dr Balance	Cr Balance
		£ s d	£ s d	£ s d	£ s d
1909				104,380	0 0
Dec 31	To	30,000	0 0	94,300	0 0
	By		40,080	0 0	
	By P. & L		3,761	0 0	90,539

## PROFIT AND LOSS.

		Dr		Cr		Dr. Balance		Cr. Balance.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1909.									
Dec. 31	By Commission			970	0 0				
	„ Interest Received			10,010	0 0				
	To Charges	5,004	0 0						
	„ Interest Paid	2,015	0 0						
	„ Rent	200	0 0						
	„ Head Office	3,761	0 0						
		10,980	0 0	10,980	0 0				

## BALANCES OF GENERAL LEDGER.

*Friday, 31st December, 1909.*

Dr Balances			Cr Balances		
£	s.	d.	£	s.	d.
27,096	0	0	Cash		
193,500	0	0	Bills Discounted		
5,500	0	0	Promissory Notes		
609,000	0	0	Loans		
			Current Accounts		
5,000	0	0	Overdrawn Accounts	883,110	0 0
			Deposit Receipts	48,000	0 0
195	0	0	Stamps		
280	0	0	Suspense Account		
			Interest Received	10,010	0 0
2,015	0	0	„ Paid		
			Commission	970	0 0
5,004	0	0	Charges		
200	0	0	Rent		
			Profit and Loss		
94,800	0	0	Head Office		
942,090	0	0		942,090	0 0

## CLOSING ENTRIES.

The closing entries are made when the balance of Profit and Loss is transferred to the Head Office, and it will be seen on reference to the accounts that Commission, Interest Received, Interest Paid and charges Rent have been closed and the balance of £3,761 transferred.

Certain adjusting entries are, however, necessary before the books are closed, and such entries principally refer to interest transactions.

It has been stated that the interest on Deposit Accounts for the previous half-year which had not been paid was credited to Adjusting Interest Account, and it is therefore necessary to debit this account and credit Interest Paid.

In the same manner the interest due on deposits for the half-year

under review must be debited to Interest Paid and credited to Adjusting Interest Account.

This method of dealing with interest is identical with the system of the Head Office. Reference has been made to the amount of interest which may be due from or to the Head Office on account of the Cash Balance and would be either debtor or creditor.

This balance must be taken into account in order to show the actual profit or loss of the Branch for the half-year.

It is not necessary, however, to make Cash Book entries of these transactions, because they do not affect the profits of the Bank as a whole. In a similar manner the Rebate may be shown in the Profit and Loss Account without any entry in the Cash Book, although of course a Suspense Account could be opened for the purpose of debiting Interest Paid for the amount of the Rebate.

When a Cash Book entry is not made the Rebate for the current half-year is shown on the debit side of the Profit and Loss Account and on the credit side for the previous half-year's amount. It is also necessary to adjust outstanding differences at the end of each half-year for the purposes of audit between the Head Office Cash Account and the same account at the Branch. This is effected by means of opening an Impersonal Account in the Ledger entitled "Head Office Differences Account" which shows the difference between the amount stated by the Head Office and the amount appearing in the Branch Books.

The entries on the following day will be reversed leaving the original differences.

The balances of the General Ledger after the closing entries have been made will be as follows:—

## CLOSING ENTRIES OF GENERAL LEDGER

31st December, 1909.

Dr. Balances			Cr. Balances		
£	s.	d.	£	s.	d.
27,096	0	0	Cash . . . . .		
193,500	0	0	Bills Discounted . . . . .		
5,500	0	0	Promissory Notes Discounted . . . . .		
609,000	0	0	Loans . . . . .		
			Current Accounts . . . . .	883,110	0
5,000	0	0	Overdrawn Accounts . . . . .		0
			Deposit Receipts . . . . .	48,000	0
195	0	0	Stamps . . . . .		
280	0	0	Suspense Account . . . . .		
90,539	0	0	Head Office . . . . .		
931,110	0	0		931,110	0

## HEAD OFFICE CASH ACCOUNT.

The Cash Account at the Head Office shows the relationship between the two establishments, and as already stated is similar in character to that of a Bank and its customer, the difference only being that the Branch takes the place of the customer.

All remittances are shown in this account as well as the payments which have been made for the Branch. For example, the Head Office sends to the Branch all cheques drawn upon it and paid through the Country Clearing.

The Branch Account is debited and the amount of the cheques would in the books of the Branch be credited to Head Office Cash Account.

It is customary to receive credits at the Head Office for the credit of the Branch, and when this takes place the Branch Account is credited and Cash Account at the Branch debited.

It will at once be seen that the Cash Account is similar to an ordinary Current Account of which the Pass Book gives the necessary particulars of receipts and payments.

The following is a specimen of a Cash Account, showing the various entries:—

## HEAD OFFICE CASH ACCOUNT.

## PLYMOUTH BRANCH

Dr.	From 11th to 18th FEBRUARY, 1900.			Cr.		
	£	s.	d.	£	s.	d.
To Balance at Head Office . . . . .	10,000	0	0	By Country Cheques . . . . .	660	0 0
„ Country Cheques . . . . .	5,000	0	0	„ „ „ . . . . .	50	0 0
„ Account W. Brown, per Head Office . . . . .	200	0	0	„ Cheque unpaid on Luton Branch . . . . .	20	0 0
„ Account H. Smith, per Head Office . . . . .	100	0	0	„ Stationery . . . . .	5	0 0
„ Account E. Jones, per Luton Branch . . . . .	50	0	0	„ Cambridge Branch Ac- count, W. Jones . . . . .	30	0 0
„ Account C. Robinson, per Oxford Branch . . . . .	20	0	0	„ Ely Branch, Cash . . . . .	100	0 0
„ Cheque, Aberdeen . . . . .	10	0	0	„ Payments . . . . .	200	0 0
„ „ Perth . . . . .	10	0	0	„ Draft on Demand issued „ „ after Date issued . . . . .	50	0 0
„ „ Dublin . . . . .	5	0	0	„ „ „ . . . . .	20	0 0
„ Remittance . . . . .	20	0	0	„ Coin . . . . .	1,000	0 0
„ „ . . . . .	20	0	0	„ Notes . . . . .	500	0 0
„ „ Cambridge Branch . . . . .	30	0	0	Balance . . . . .	13,230	0 0
„ Remittance, Leighton Branch . . . . .	100	0	0			
„ Coin . . . . .	200	0	0			
„ Notes . . . . .	100	0	0			
	15,865	0	0		15,865	0 0

The first entry shows the balance in which the Head Office is indebted to the Branch, and the second refers to Country Cheques, which are sent for payment through the Clearing House.

The Branch has been advised of various sums received at the Head Office for the credit of its customers, and, consequently, the Branch debits the central establishment with such amounts. Cheques payable in Scotland and Ireland are remitted direct, and on receipt of an advice that such cheques have been received, the Branch debits the Head Office, the Scotch and Irish Banks paying the Head Office through their London establishment.

The Branch also remits cheques payable in London, and, if possible, forwards such remittances twice daily.

It sometimes happens that a large quantity of silver is received, in fact, more than can be used for daily requirements, consequently, it is transmitted to another Branch where it is required. The last item on the debtor side is coin and notes remitted to the Head Office for the Branch's credit.

On reference to the credit side of the Cash Account it will be noticed that cheques drawn on the Branch appear as the first entry; if any of the cheques remitted to the Head Office are unpaid they are returned and the Branch debited for the same.

The next entry is an impersonal one, *viz.*, Stationery, and represents the amount charged by the Head Office for sundry articles supplied.

Transfers from one Branch to another appear as the next item; for example:—

A customer pays in £30 for the account of W. Jones at Cambridge. Ely Branch has remitted coin for £100 and this is shown in the Cash Account.

In order to minimise the risk of payments in notes and gold, it is customary to pay other Banks which present cheques over the counter by means of a payment slip on the Head Office. These payments in the case of Clearing Bankers are liquidated at the Clearing House, and appear in the Cash Account.

The next entries refer to Drafts on demand or after sight which are drawn payable at the Head Office, and it may happen that they are not presented for payment at due date, consequently they form outstanding entries.

The last item refers to coin and notes received from the Head Office for daily requirements.

This Cash Account is a typical example of the banking business carried on at a Branch.



The following is another example of Branch book-keeping:—

## DAY BOOK

	£	s.	d.		£	s.	d.
Balance last night . . .	5,000	0	0	1 Cash Account . . .	1,000	0	0
1 Cash Account . . .	200	0	0	2 Current Accounts . . .	500	0	0
2 Current Accounts—				3 Bills of Exchange on hand . . .	200	0	0
(1) Received for Customers . . .	1,000	0	0	4 Promissory Notes . . .	100	0	0
(2) „ „ Agents . . .	500	0	0	5 Salaries Account . . .	50	0	0
3 Bills of Exchange Accounts . . .	200	0	0	6 Rent and Taxes . . .	20	0	0
4 Promissory Note Account . . .	100	0	0	7 Incidental Expenses . . .	5	0	0
5 Deposit Accounts . . .	300	0	0	8 Interest paid—			
6 Commission Account . . .	20	0	0	On Bills . . .	30	0	0
7 Interest Received—				„ Loans . . .	5	0	0
On Bills . . .	30	0	0	„ Miscellaneous . . .	5	0	0
„ Loans . . .	50	0	0	Balance . . .	5,490	0	0
„ Miscellaneous . . .	5	0	0				
	7,105	0	0		7,405	0	0

The Weekly Return to the Head Office may be as follows.—

Cr.	£	s.	d.	Dr.	£	s.	d.
Current Accounts . . .	10,000	0	0	Cash with Head Office . . .	8,000	0	0
Deposit „ . . .	500	0	0	„ in hand . . .	800	0	0
Interest on Deposits . . .	50	0	0	Bills Discounted . . .	200	0	0
Discount . . .	200	0	0	Promissory Notes . . .	100	0	0
Commission . . .	10	0	0	Loans . . .	1,000	0	0
Interest on Loans . . .	300	0	0	Overdrafts . . .	760	0	0
				Salaries . . .	200	0	0
	11,060	0	0		11,060	0	0

On the debtor side of the account we have the balance at the Head Office and the amount of cash held at the Branch.

The totals of Bills Discounted, Promissory Notes, Loans, Overdrafts and Salaries are shown separately.

On the credit side the liabilities on Current and Deposit Accounts appear as well as the amount of interest due on deposits and what has been received from Loan Accounts

The Weekly Return is in fact a complete statement of the assets and liabilities as disclosed by the books of the Branch.

It is important that a correct statement of the Overdrafts should be given as the Head Office always requires full particulars of such advances.

The Monthly Return is a more detailed statement, although some

banks give particulars in the Weekly Return which is in fact a Balance Sheet showing the position of the Branch, including the Profit and Loss Accounts

## MONTHLY RETURN.

	£	s.	d.		£	s.	d.
Current Accounts . . . . .	20,000	0	0	Cash with Head Office . . . . .	50,000	0	0
Deposit " . . . . .	200	0	0	" in hand . . . . .	2,000	0	0
Interest on Deposits . . . . .	50	0	0	Bills Discounted . . . . .	1,000	0	0
				Promissory Notes . . . . .	500	0	0
Total . . . . .	20,250	0	0	Loans . . . . .	3,000	0	0
Discount . . . . .	100	0	0	Overdrafts . . . . .	1,000	0	0
Commission . . . . .	50	0	0	Overdues . . . . .	100	0	0
Interest . . . . .	200	0	0	Stamps (Cheque Books, etc.) . . . . .	10	0	0
				Expenses — . . . . .	£	s.	d.
				Repairs . . . . .	10	0	0
				Stationery . . . . .	5	0	0
				Salaries . . . . .	100	0	0
				Rent, Rates, and			
				Taxes . . . . .	30	0	0
				Interest paid . . . . .	20	0	0
Owing to Head Office . . . . .	37,185	0	0	Sundry Expenses . . . . .	10	0	0
					175	0	0
	57,785	0	0		57,785	0	0

	Number
Current Accounts Previous Return . . . . .	1,000
Opened during the Month . . . . .	100
Closed during the Month . . . . .	10
Balance . . . . .	1,000

	£	s.	d.		£	s.	d.
Details of Sundry Expenses—				Cash in hand—			
Coal . . . . .	5	0	0	Gold . . . . .	1,000	0	0
Gas . . . . .	2	0	0	Silver and Copper . . . . .	200	0	0
Cleaning Account . . . . .	3	0	0	Bank of England Notes . . . . .	700	0	0
				Local Cheques . . . . .	100	0	0
	10	0	0		2,000	0	0

BILLS.	£	s.	d.	PROMISSORY NOTES.	£	s.	d.
Balance . . . . .	5,000	0	0	Balance . . . . .	2,000	0	0
Since Discounted . . . . .	1,000	0	0	Since Discounted . . . . .	500	0	0
	6,000	0	0		2,500	0	0
Since Matured . . . . .	200	0	0	Since Matured . . . . .	300	0	0
Present Total . . . . .	5,800	0	0	Present Total . . . . .	2,200	0	0

## BRANCH BOOK-KEEPING.

## OVERDRAFTS.

## PARTICULARS OF THE SAME.

Wm. EVANS, £500 Promissory Note.

## LOANS

F. Brown. Loan £800. Rate of Interest,  $4\frac{1}{2}$  per cent.

## SECURITY

Freehold House,  
66 West Road, Wandsworth  
Let at £60 per annum.  
Rated at £50.  
Cost £1,000 in 1905  
Equitable Mortgage stamped 8s. in favour of the Bank.  
Fire Policy for £800 held.

## DEPOSITS

	s.	d.
Balance	2,000	0 0
Receipts Issued during the Month	500	0 0
	2,500	0 0
Receipts Cancelled during the Month	200	0 0
Present Total	£2,300	0 0

## OVERDUE BILLS.

## PARTICULARS OF THE SAME.

Jones & Co., £500 due 1st January, 1909, not paid.

## DIFFERENCES IN CASH.

## PARTICULARS OF THE SAME.

Silver, £5 short.

I hereby certify that the above statement is correct.

J. EVANS,  
*Manager.*

The monthly return is a complete record of the banking transactions which have taken place, including the balances of the various credit and debit accounts, similar to the weekly return.

The number of accounts opened and closed, with the balance out-

standing, is given; there is also a statement of Bills Discounted and paid, with a similar return for Promissory Notes and Overdrafts.

With regard to Loans a detailed list is sent to the Head Office where it is carefully examined. Loans to the same customer at various branches are not allowed; for example, if a Loan of £50 is granted to B. at Branch C., the monthly returns from other branches ought not to show any loans to B., the statement must also give the amount received on Deposit Accounts, with the present balance.

If there are any Overdue Bills held, a return must be made of such documents, together with any amount received in part payment during the month.

The cash held by the branch is also given, with particulars as to the various amounts of notes, gold, silver and copper, a separate statement shows the deficiency, if any, in the cashier's accounts.

Finally, the particulars of the expenses incurred, such as rent, taxes, stationery and salaries, are shown.

By means of these returns the officials at the Head Office can at once see the position of the branch and whether the business is a progressive one, the profits can also be ascertained and compared with the corresponding period of the previous year.

The importance of full returns cannot be overestimated, and may be summarised as follows, *viz* —

(1) A debtor and creditor statement of the General Ledger balances at the date of making the return.

(2) An abstract of transactions, or a statement of daily entries on some of the most important accounts.

(3) An abstract of money lent and deposited, the former would include loans, discounts, advances on short bills and overdrafts, and the latter the Current and Deposit Accounts.

(4) A list of overdue bills, with particulars.

(5) A statement of interest received and paid.

(6) An abstract of the Expenses Account.

(7) A statement of debtor balances on Current Account, with particulars.

(8) A return of stamped forms of drafts, and also the number of deposit receipts issued or cancelled during the week and the balance on hand.

At the end of the quarter or half-year all the Impersonal Accounts in the General Ledger are closed by various debit and credit entries, and the Head Office is either debited or credited with the balance.

This is shown in the Day Book after the day's operations are recorded, when a separate page is used for the purpose of giving particulars of the closing entries as follows :—

	£	s.	d.		£	s.	d.
Head Office Cash Account—				Head Office Cash Account—			
Per Discount Account . . .	100	10	0	Rent and Taxes . . .	100	0	0
„ Interest on Loans . . .	705	0	0	Expenses . . .	50	0	0
Rent and Taxes, per Head Office	100	0	0	Salaries Account . . .	200	0	0
Expenses, per Head Office . .	50	0	0	Interest on Deposits . .	70	0	0
Salaries Account, per Head Office	200	0	0	Discount Account transferred to Head Office .	100	10	0
Interest on Deposits, per Head Office	70	0	0	Interest on Loans transferred to Head Office .	705	0	0
	1,225	10	0		1,225	10	0

The profit for the half-year is as follows —

Profit.	£	s.	d.	Loss.	£	s.	d.
Rent and Taxes . . . . .	100	0	0	Discounts . . . . .	100	10	0
Expenses . . . . .	50	0	0	Interests . . . . .	705	0	0
Salaries . . . . .	200	0	0				
Interests on Deposits . . . .	70	0	0				
	420	0	0				
Balance . . . . .	385	10	0				
	805	10	0				
						805	10 0

In addition to the profit of £385 10s. the Head Office may hold a large cash balance which is utilised or transferred to another Branch where a greater demand for capital exists, it has been already stated that a Branch is sometimes allowed interest on the cash balance by the Head Office.

The present system of Branch banking would be almost impossible without a perfect uniformity of returns which enables the Head Office to form an opinion as to the class of business transacted.

When the various accounts are closed it is necessary to show an exact statement of the Interest Accounts, which are the most important of the Profit and Loss Accounts.

For example, interest might not be debited half-yearly, the accounts only showing what has been received and paid, no allowance being made for what is due to or from the Bank.

The following is another system of Branch returns taken from Hutchison's *Practice of Banking* :—

## WEEKLY RETURN.

## I.

Dr.			GENERAL LEDGER BALANCES.			Cr.		
£	s	d.				£	s	d.
			Head Office Account	.	.	.	.	.
			Current Accounts	.	.	.	.	.
			Deposit	"	.	.	.	.
			Bills Current	.	.	.	.	.
			" Remitted	.	.	.	.	.
			" Negotiated	.	.	.	.	.
			" Negotiated <i>contra</i>	.	.	.	.	.
			Returned Bills	.	.	.	.	.
			Interest	.	.	.	.	.
			Commission	.	.	.	.	.
			Stamps	.	.	.	.	.
			Postages	.	.	.	.	.
			Charges	.	.	.	.	.
			Profit and Loss	.	.	.	.	.
			Cash	.	.	.	.	.

## II.

## MONEY LENT AND LODGED

LENT.			LODGED		
£	s	d.	£	s	d.
On Bills Current	.	.	On Current Accounts	.	.
" Past Due Bills	.	.	" Deposit	.	.
" Current Accounts	.	.	" Deposit Receipts	.	.
" Deposit	.	.			
Cash Balance	.	.			
Difference (for or against), £					

## III.

## TURNOVER AND NUMBER OF ACCOUNTS.

TURNOVER.			NUMBER OF ACCOUNTS.		
£	s	d.			
On Current Accounts	.	.	Current Accounts	.	.
			Deposit	"	.
			" Receipts	.	.

## ABSTRACT OF CURRENT ACCOUNTS

	£	s	d		£	s	d
Amount Lent on Accounts				Amount Lodged on Accounts			
Balance Due by the Bank				Balance Due to the Bank			

## IX

CURRENT ACCOUNTS DR

[illegible]

List of Parties being Drawers, Indorsers or Acceptors of Bills Discounted at the Branch where the sum amounts to £                      or up wards —

Name Occupation and Residence of Party	No. and Amount of Bills Drawn or Endorsed by Party			No. and Amount of Bills Accepted by or Drawn on Party		
	£	s.	d.	£	s.	d.

## MONTHLY

## BALANCES OF CURRENT ACCOUNTS

[illegible]





## SHOWING CHARGES FOR THE HALF-YEAR.

HALF-YEARLY.

Amount received during the week following Accounts :—	on	£	s.	d.	Amount paid during the Week ending following Accounts :—	on	£	s.	d.
Head Office—					Head Office—				
Amount at Credit of Interest Account transferred .					Amount at Debit of Interest Account transferred .				
" " Commission Account transferred					" " General Account of Charges transferred				
Bills of Exchange . . . . .					Bills of Exchange . . . . .				
Returned Bills . . . . .					Returned Bills . . . . .				
Current Accounts . . . . .					Current Accounts (Commission Chargeable on £) .				
Amount of Interest Credited to Particular Accounts					Amount of Interest Debitted				
Deposits Receipts . . . . .					" Commission				
Interest Account . . . . .					" Postage				
Amount Charged on Current Account					Deposits Receipts . . . . .				
Amount set aside for Interest on Deposits Receipts as last transferred from Adjusting Account					Interest Accounts . . . . .				
Total Amount of Interest paid for Half Year . . . . .					Amount allowed on Current Accounts				
Commission Account . . . . .					" now due on Deposits Receipts transferred to Adjusting Account				
Amount Charged on Current Account					Total Amount of Interest received during the Half Year transferred to Head Office Cash Account				
Postage Charged on Current Account					Commission Account . . . . .				
General Account of Charges . . . . .					General Account of Charges . . . . .				
Amount paid and transferred to Head Office					Adjusting Account of Interest . . . . .				
Adjusting Account of Interest—Amount now due on Deposits Receipts . . . . .					Amount due on Deposits Receipts transferred to Interest Account				
Bad Debt Account . . . . .					Bad Debt Account . . . . .				
Differences in Cash . . . . .					Differences in Cash . . . . .				
Total Amount received . . . . .					Total Amount paid . . . . .				
					Balance of Cash in Hand—				
					Book Notes . . . . .				
					Local . . . . .				
					Gold . . . . .				
					Silver . . . . .				
					Copper . . . . .				

Certified by

Manager,  
Accountant

## II.

**CLOSING ENTRIES OF GENERAL LEDGER.**

	£	s.	d.		£	s.	d.
To close the following Accounts having Balances, Dr.—				To close the following having Balances, Cr.—			
Head Office—				Head Office—			
Bills of Exchange . .				Deposit Receipt . .			
Bad Debt Account . .				Current Accounts . .			
Differences in Cash . .				Adjusting Account of Interest			
General Account of Cash for Amount of Balances, Cr.				General Account of Cash for Amount of Balances, Dr.			

The Accounts in the General Ledger are to be re-opened by reversing the above entries, and the Opening Entries should be recorded in the Day Book.

### III.

### ABSTRACT OF INTEREST ACCOUNT

	£	s.	d.	£	s.	d.
On <i>Current Accounts</i>				On <i>Current Accounts</i>		
Amount Paid during the Half-Year				Amount Received dur- ing the Half-Year		
Amount now Credited				Amount now Debited		
Particular Accounts				Particular Accounts		
On <i>Deposit Accounts</i>				On <i>Deposit Accounts</i>		
Amount Paid during the Half-Year				Amount Received dur- ing the Half-Year		
Amount now Credited				Amount now Debited		
Particular Accounts				Particular Accounts		
On <i>Bills of Exchange</i> , Amount Paid				On <i>Bills of Exchange</i> , Amount of Discounts Received		
Amount Paid at Debit of Head Office at this date				Sundry Payments Received		
				Amount Received at Credit of Head Office at this date		

## IV.

## ABSTRACT OF COMMISSION ACCOUNT.

£	s.	d.		£	s.	d.	£	s.	d.
			On Current Accounts .						
			Amount Received during						
			the Half-Year . . .						
			Amount now Debited .						
			Particular Accounts .						
			On Deposit Accounts .						
			Amount Received during						
			the Half-Year . . .						
			Amount now Debited .						
			Particular Accounts .						
			On Bills of Exchange, Amount						
			Received . . . . .						
			On Returned Bills, Amount Re-						
			ceived . . . . .						
			On Drafts and Advices, Amount						
			Received . . . . .						
			On Sundries, Amount Received .						

## V.

## ABSTRACT BALANCE OF THE GENERAL LEDGER.

Dr.	£	s.	d.	Cr.	£	s.	d.
Manchester and Liverpool				Manchester and Liverpool			
District Banking Co., Lim.				District Banking Co., Lim.			
Bills of Exchange (see Cer-				Deposit Accounts . . .			
tificate and Analysis) . .				Current Accounts . . .			
Bills returned . . . . .				Differences in Cash . . .			
Current Accounts (see Ab-							
stract) . . . . .							
Bad Debt Account . . . .							
Differences in Cash . . . .							
Balance of Cash on Hand (see							
Certificate) . . . . .							

## VI.

## ABSTRACT OF GENERAL ACCOUNT OF CHARGES.

		£	s.	d.	£	s.	d.
1st of Premises in occupation of the Bank.	Rent payable by the Bank . . .						
	Taxes payable by the Bank . . .						
	Insurance payable by the Bank . . .						
	Repairs per Statement . . .						
	Salaries, viz.						
2nd of Salaries of the Bank's Officers.	Manager . . .						
	Cashier . . .						
	Accountant . . .						
	Clerks. . .						
3rd Official Communication and Transmission.	Transmission of Cash . . .						
	Postage . . .						
	Carriage of Parcels . . .						
	Travelling Charges allowed . . .						
4th of Miscellaneous and special allowance.	Coal, Gas and Cleaning . . .						
	Stationery . . .						
	Law Charges . . .						
	Allowance to Clerks . . .						

## VII.

## ABSTRACT OF CURRENT ACCOUNTS.

## VIII.

## ANALYSIS OF BILLS OF EXCHANGE ON HAND.

(These Returns would be similar to the Weekly and Monthly Returns.)

## IX.

## BAD DEBT ACCOUNT.

Name.	Date of Failure.	Liability on Bills and Balance at date of Failure.			Present Balance as shown by the Bad Debt Ledger.			Receipts expected from Dividends or from Securities.			Estimated Loss.		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.

Report on the above Accounts and Specification of Securities.

## CHAPTER XVII.

### THE BALANCE STATEMENT

THE half-yearly or periodical statement of accounts can be prepared without difficulty from the General Ledger since it is customary to extract the balances daily.

The following is a summary after the various accounts which form the working expenses have been closed and the balances transferred to Profit and Loss :-

	£	s	d.		£	s	d.
Cash	3,353,635	6	10	Current Account Town			
Bank of England	3,528,438	12	2	"    "    Country	25,116,432	19	4
Bills Discounted				Deposit Receipts	10,759,370	8	0
Promissory Notes	4,428,761	8	10	Bills Payable	3,461,362	2	1
Loans	15,456,759	15	1	Sold	24,268	11	7
Money at Call	6,933,965	2	0	Suspense Interest Cr.	563,352	1	11
Acceptance Account	3,461,362	2	1	Profit and Loss Account	368,347	3	10
Indorsement on Bills				Capital Account	3,554,785	10	0
sold	21,268	11	7	Reserve Fund	1,150,000	0	0
Suspense Interest Cr.	137,906	7	7	Rebate	29,077	5	11
Bank Premises	1,455,879	4	1				
Investment Account	6,246,079	12	5				
	45,027,056	2	8		45,027,056	2	8

The Overdrawn Accounts do not appear, since the Current Account balances represent the *net* amount owing to customers, the debtor balances having been deducted.

In the same manner other accounts, such as Letters of Credit and Circular Notes, would appear under Current Accounts.

The Rebate is the amount carried forward to the next half-year's profits as already explained.

A more detailed account known as the Balance Sheet is prepared which gives a complete summary of what the Bank owes to individuals either as shareholders or depositors, and on the other hand, what property or assets is held against such liabilities. A second statement with particulars as to the profit made during the half-year is also given.

THE UNION OF LONDON AND SMITHS BANK, LIMITED  
STATEMENT OF ACCOUNTS.

For the Half-year ending 31st December, 1908

[illegible]

## THE BALANCE STATEMENT.

## PROFIT AND LOSS ACCOUNT.

	£	s	d	£	s	d
Interest allowed to Customers . . . . .	171,864	6	6	Profit unappropriated on 30th June, 1908 . . . . .	193,839	17 7
Salaries, Contributions to Pension Fund, and other expenses at Head Office and Branches . . . . .	215,749	4	9	Gross Profit for the half-year ending 31 December, 1908, after making provision for all bad and doubtful debts and payment of Income Tax . . . . .	591,198	3 5
Rebate on Bills not due . . . . .	29,077	5	11			
Dividend on 229,341 Shares at 15s. 6d. per Share, equal to a rate of 10 per cent. per annum . . . . .	£177,739	5	6			
Balance, being undivided profit carried forward to the next half-year . . . . .	190,607	18	4			
	368,347	3	10			
	785,038	1	0		785,038	1 0

On examination we notice that the assets are "marshalled," or in other words, placed according to their liquid character.

The Cash in hand and at the Bank of England therefore forms the first item since it is necessary to keep an adequate Cash Reserve to meet any possible demand. There is no fixed rule as to the amount, but the London Banks hold from 12 to 17 per cent. of their liabilities in cash.

The next item "Money at Call" represents Capital lent to Bill Brokers for short periods and used by them for the purpose of discounting bills in the market which are deposited with the Bank, as well as other securities known as "floaters," as security for money lent.

The Reserve Fund and a large proportion of the Capital is invested in Government Stocks, so that in cases of emergency such securities might be sold without difficulty.

A valuation of all the Stocks is made at the end of each half-year, the market prices for the same being ascertained from the Stock Exchange Official List.

There are other investments of a first-class character which are stated separately in the Balance Sheet; sometimes an account entitled "Profit and Loss on Investments" is opened in the General Ledger for the purpose of transferring the balance either of profit or loss on each Stock to the Profit and Loss Account.

Another method of dealing with Stocks which have fallen in value is to transfer from the Reserve Fund an amount sufficient for the purpose of writing down the values to market prices or possibly below.

It is, however, not customary to take into account any rise in value, but of course when Stocks are sold, the profit, if any, would be transferred to Profit and Loss.

Bills of Exchange are considered one of the best forms of investments for a Bank, since they mature at short periods, either three or six months, so that the Capital represented by such documents is continually being re-invested.

There is an additional security in the case of bills since all parties, either as drawers, acceptors or indorsers, are liable to the holders for value; the profit derived from the discount of bills fluctuates considerably and is largely dependent upon the Bank Rate of Interest.

With regard to Loans and Advances, a larger profit is however made, but the security is not usually of such a liquid character.

The next item *viz.*, Acceptances, it is customary for correspondents either at home or abroad to draw bills on the London Banks so that



they become liable for the payment of such documents at maturity, securities being deposited as cover for the amount of such Acceptances; the business is profitable but requires careful attention because a sudden collapse of credit in the money market might have a disastrous effect

Liabilities of customers for indorsement refer to bills sold for customers, and indorsed by the Bank, but the risk involved is comparatively small

The last item, Bank Premises Account, is somewhat of an unproductive character, because, as a rule, there is no income derived from the investment, although of course it would be necessary to pay rent if the Bank did not purchase its business premises, the usual method adopted is to write down this asset so that the amount stated in the Balance Sheet is considerably below the market value of the property

On the debtor side of the account we have the liabilities, the first item being Capital Account which represents the amount invested by shareholders in order to carry on the business

The Reserve Fund represents the accumulations of undivided profits, in fact similar to the Reserve Fund of any other Trading Company. It is, however, usually invested in Government Stocks or other first-class securities

The amount due on Current and Deposit Accounts is the balance of the same as stated in the Ledgers

Acceptances being a liability the amount must be shown, but as securities are held as cover the total must also appear as an asset. For the same reason liabilities by indorsements on Foreign Bills appear as a *Contra* entry. The interest due on deposits but not paid to the depositors as well as unclaimed dividends is included amongst the liabilities

Rebate and Profit and Loss are the last items, the former being a part of the profit to be carried forward, as already explained, and the latter represents the net profit together with the balance brought forward from the last half-year's accounts.

A more detailed statement is given in the Profit and Loss Account, which gives information as to the gross amount earned, on the other side of this account interest allowed to customers, working expenses and the amount to be divided amongst the shareholders, together with the balance of undivided profit carried forward to the next half-year is shown. The General Ledger, as already stated, gives the various totals of the accounts which appear on the Balance Sheet, and if the

entries have been correctly made the two sides of the account should agree.

This method of showing the totals of various accounts is known as the Total System, and is similar to keeping a merchant's accounts with a number of Sectional Ledgers, such as Town (Sales) Ledger, Bought Ledger, Expenses Ledger and General or Private Ledger. In order to carry out this system it is necessary to have the Cash Book ruled with as many columns as there are separate Ledgers.

The General Ledger would have accounts opened for the various Sectional Ledger accounts and the totals from the same would be posted.

A trial balance of the various accounts can be made without difficulty by means of this method of book-keeping.

## CHAPTER XVIII.

### INSPECTION—AUDIT.

A PERFECT system of accounts is required for the purpose of inspection and the periodical examination by the Bank's Auditors.

For this purpose every return to the Head Office should give full particulars as to the banking operations, so that the Directors may be in possession of every fact connected with the business. In order to verify the correctness of such returns a staff of Inspectors is appointed who must of necessity have a perfect knowledge of Bank accounts so as to enable them to check the books in a thorough and systematic manner.

The Head Office accounts would be examined by the same method as the Branches.

The Weekly Return from the Branch to the Head Office is a Balance Sheet showing the assets and liabilities, together with full particulars as to Loans, Overdrafts, Bills Discounted, Cash in hand, and other advices of which it is necessary to inform the Head Office, and the Inspector must satisfy himself that the return is perfectly correct.

In order to facilitate the work, the Branch is supplied with a Pass Book which is a copy of the Cash Account at the Head Office, and every entry should agree, all outstanding differences being adjusted, and a list supplied for verification.

The Inspector on his arrival examines the cash as recorded by the Receiving and Paying Cashiers' Books which show the amount held.

If Drafts have been issued on the Head Office the balance in hand must be checked, and cancelled Drafts compared with the counterfoils in the Draft Form Book.

The Weekly Report gives the number of Current Accounts and also a list of accounts opened and closed, and this statement can be checked against the Ledgers.

The Pass Books which are in the possession of the Branch should be examined against the Ledgers in order to ascertain whether they are correct.

The Deposit Receipts issued must agree with the corresponding entries in the Deposit Ledger, and the balances of this Ledger must agree with the total amount in the General Ledger.

It is found desirable to extract daily the balances of the General Ledger in a Summary Book and this should be compared with the entries in the General Cash Book.

The various securities held either as security for loan or on customers' account must be carefully examined.

With regard to Bills Discounted they are checked against the corresponding entries in the Bill Diaries; the Report Book would give the necessary particulars as to the financial standing of the acceptors.

The balances of the Discount Ledger must agree with the bills in hand, but if any bills have been sent for collection the Inspector would take note of the same and see that the Bank receives payment in due course.

The Weekly Report would give full particulars as to securities lodged as cover for loan, the following forms being filled up:—

## GUARANTEES.

Name, occupation and address of Guarantor	Date and Amount of Guarantee	Referee and Opinion received with date of report.
John Wilkins	1909, December 1— £1000	1909, December 10— Bank report highly respectable and quite good for the engagement

## DEEDS OF FREEHOLD PROPERTY.

Description of Property.	Consideration.	Annual Rent	Rateable Value.	Encumbrances	Estimated Value	By whom valued and date. Own opinion of value.	Particulars of Insurance.
10 Union Street, Peckham	£800	£40	£34	Mortgage of £200	£600	1909, Dec. 10, and Evans & Co., £700	Liverpool and Globe, £900

## DEEDS OF LEASEHOLD PROPERTY.

Description of Property.	Expira- tion of Lease	Considera- tion	Ground Rent	Annual Rent	Ratable Value	Encum- brances	Esti- mated Value	By whom valued and date Own opinion of value.	Particulars of In- surance
20 John Street, Newing- ton	1930	£400	£5	£40	£34	Nil	£500	1909, Dec 15, Jones & Co., £500	Sun, £500

## LIFE POLICIES

Office	Name and Designation of Assured	Agent of Assurance and if admitted	Date and Amount of Policy	Bonus Additions	Annual Premium	Surrender Value	If on half credit system or in any way encum- bered	If assigned to Bank or taken sub- ject to assignment
Sun	John Jones, Builder	25 years, admitted	1900, Jan 1, £1000	£50	£25	£150	No En- cum- brances Annual Premi- um paid in full	Assigned to Bank Notice given to Company

## STOCKS OR SHARES

Amount.	Description	Price	Market Value	Total	Transfer
£500	Japan 4 per cent Bonds	90	450		
100	Argentine 5 " " "	100	100		
100 shs	J. Lyons & Co	6	600		
			-----	£1150	In name of Bank

The Inspector examines all the Securities lodged as cover and also investigates the Bank's title to the same.

The Deeds of Freehold and Leasehold Property are generally investigated by a Solicitor on behalf of the Bank, and either a legal or equitable mortgage obtained from the borrower. If a Land Certificate has been issued from the Land Registry Office it should be deposited and the Bank would give notice of its charge. In the same manner

the assignments of Life Policies are examined, and if notice has been given to the Companies the usual acknowledgments must be produced.

With regard to Stocks and Shares, the Bank obtains a Letter of Charge from the customers, and in case of registered Stocks they are either transferred into the names of the Bank's nominees or a stamped executed transfer obtained from the registered proprietor. If securities have been lodged for safe custody the Inspector examines the same and checks the entries in the Securities Ledger.

The Charges Book is almost identical to the Petty Cash Book of a merchant, various columns being utilised in order to subdivide the working expenses as follows:—

Partic- ulars	Salaries.	Rent, Taxes, Insur- ance	Fuel (Gas, Water	Clean- ing	Cheque Books, Stationery	Stamps.	Post- ages	Law Charges	Print- ing	Incl- udental	Credits.
------------------	-----------	-----------------------------------	------------------------	---------------	--------------------------------	---------	---------------	----------------	---------------	------------------	----------

The vouchers and receipts for the various payments are examined, and any extraordinary expenditure would require special investigation.

If the Branch has any Past Due Bills or Bad Debts the Inspector should see that they are eliminated from the accounts at the end of the half-year unless it is considered desirable to retain a small balance in case of a future recovery.

On completion of the examination of the various books the Inspector would report as to the manner in which the accounts are kept, and the General Manager must be informed of any irregularities which have occurred since the last inspection.

### AUDIT

An Auditor is a recognised Officer for every Company formed under the Joint Stock Companies Acts:—

The Companies Consolidated Act of 1908, section 112, states that "every Company shall at each annual meeting appoint an Auditor or Auditors until the next annual General Meeting". Section 113 gives particulars as to his duties, which are as follows:—

"(1) Every Auditor of a Company shall have a right of access at all

times to the books and accounts and vouchers of the Company, and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.

“(2) The Auditor shall make a report to the Shareholders of the accounts examined by them and on every Balance Sheet laid before the Company in General Meeting during their tenure of office, and the report shall state (a) whether or not they have obtained all the information and explanation they have required, and (b) whether in their opinion the Balance Sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of their information and the explanations given to them and as shown by the books of the Company.”

From the above it will be noticed that the Officers must supply the Auditors with every information as to the methods of book-keeping adopted by the Bank.

It is therefore important that the Auditor should distinguish between the Principal and Subsidiary Books and understand the system in use. Although there may be differences in the various methods adopted by the Banks, yet they are theoretically the same.

For example, the Impersonal Accounts may be found in the General Ledger in some institutions whilst in others they appear in the Current Account Ledger.

The Balance Sheet gives particulars of the Assets and Liabilities which are carefully examined.

With regard to the Assets the Auditors must

(1) Examine the Cash.

(2) Examine the Cash Articles in transit.

(3) Check the Securities lodged against Money at Call.

(4) Examine the Investments, including those specially held on account of the Reserve Fund.

(5) Compare the Bills Discounted with the entries of the same in the Bill Diaries.

(6) Ascertain the amount of Loans from the Loan Ledger.

(7) Examine the Deeds held on account of Bank Premises, the amount of Capital invested in the same being recorded in the Bank Premises Ledger.

On the debtor side of the account the Auditors would examine the Liabilities which are as follows:—

(1) Capital Account, which appears in the General Ledger and represents the amount due to shareholders.

(2) Deposit and Current Accounts, which are checked against the balance trial sheets made out half-yearly by the staff.

(3) The amount of the Acceptances which can be ascertained from the Acceptance Ledger.

(4) Indorsements on Foreign Bills sold which are shown in the Ledger as the record of this liability.

The Auditors would also examine the Profit and Loss Account and check the General Ledger, and would see that the totals of the various accounts agree with the amounts in the Balance Sheet.

The Subsidiary Books would give further details as to the Assets and Liabilities; for example, the balance of Cash consists of Cash in hand and at the Bank of England, the former being subdivided into coin, bank-notes and Drafts.

The coin is the amount held by the Paying and Receiving Cashiers and would be checked by the Auditors; similarly the Cash at the Bank of England would be ascertained by checking the balance at that institution, which should agree with the amount in the Bank of England Pass Book and General Ledger.

Bank-notes, either new obtained from the Bank of England or old paid in during the day for customers' credit, are also checked.

With regard to the Drafts they represent Cheques and Postal Notes received but not sent out for collection. These effects are known as "Walks" which are entered in separate books and can be examined against the entries.

If any cheques have been sent out for collection the Auditor must see that the Bank receives the proceeds in due course.

There are also cheques received too late for presentation at the Clearing House and known as "marking". The Bank presents the same at the various Banks upon whom drawn where they are initialled by a Cashier, the effect being to ensure payment the following day.

The Drafts would also include unpaid cheques returned from the Clearing House and known as "Returns". Such Drafts must be included amongst the assets, the Customers' Accounts being debited for the same the following day.

The grand total of coin, bank-notes and Drafts already described form the amount appearing as Cash in the Balance Sheet.

The Securities held against Money at Call generally consist of Bills and Bearer Securities of a first-class character known as "floaters".

The Investments of the Bank are represented by the amount in



the General Ledger, and after such Investments have been examined the prices of the same must be checked against the market quotations. It is usual to value such securities considerably below their actual value.

With regard to Inscribed Stocks at the Bank of England or elsewhere a certified statement is obtained stating that the balances held are correct.

Bills Discounted can be checked, as already stated, against the entries in the Bill Diaries, the total of such bills agreeing with the amount in the General Ledger. If any bills have been sent for collection the Auditor must see that the Bank receives payment.

The Loan Ledger gives the necessary particulars as to the Loans, and the Auditor would check the securities held; in order to provide against depreciation in value the Banks require a margin of about 10 per cent. to cover any possible loss.

The Overdrafts are shown in the Current Account Ledgers as Debtor Accounts; the half-yearly sheets prepared by the Bank give the necessary particulars, the Auditor must ascertain what security the Bank holds against such Overdrafts.

Every half-year sheets are prepared showing the balances of the Current and Deposit Account Ledgers so that the Auditor can examine these lists against the Ledgers and verify the same, the grand total being the amount as shown in the General Ledger.

The Current Account Ledgers include the Debtor Accounts, which must be taken out separately as the balance statement only shows the amount of the Current Accounts, less the Debtor Balances.

It is necessary for the Auditor to see that the Bank is fully covered against such Overdrafts as represented by the Debtor Accounts, and if there is no security held, he must satisfy himself that no loss is likely to arise.

Other accounts appearing in the Ledger, such as Letters of Credit, Circular Notes, etc., can be examined against the corresponding entries in the Subsidiary Books which give the necessary particulars.

The details of the Rebate Account are shown in the Discount Register and represents that proportion of interest which must be carried forward to the next half-year's account.

The Profit and Loss Accounts would be checked against the corresponding entries in the General Ledger; accounts which represent losses must be eliminated and debited to Profit and Loss.

The Auditor being a recognised official has the right of access to the

books at any time, and may, if he considers it advisable, make a periodical inspection in order to satisfy himself that the system of audit and check carried out by the Bank is perfect.

If considered advisable the following books and securities might be checked at a surprise audit:—

- (1) General Cash Book, including the balance of Cash in hand.
- (2) Bank of England Pass Book, which should agree with the balance in the General Ledger.
- (3) Bills held against Money at Call or as security for Loan.
- (4) Investments, including Inscribed Stocks
- (5) Deeds, Bills of Lading, Warrants or other Securities held against Loan; the value of such securities should be considerably in excess of the amount appearing in the General Ledger as Loans and Advances.

When a Bank has a large number of Branches it would be somewhat difficult for the Auditors to inspect the whole, especially as the half-yearly balance takes place on the same day, but it is customary for them to check the Cash and Bills held as security at the large Branches.

As it is somewhat impossible to personally visit all the Branches the Auditor must satisfy himself as to the soundness of the system and that the continuous Audit undertaken by the Inspectors is perfect in every way.

The weekly statements from the Branches to the Head Office give the financial position; the Cash Balance either due from or to the Branch can be checked from the Ledgers at the Head Office.

At the end of the half-year there is an additional statement showing the closing entries of the Profit and Loss Accounts.

There is also a certified statement showing that all the losses on account of bad and doubtful debts have been duly provided for; as these statements are certified by the two principal officers of each Branch, the Auditors would accept them as being correct, but of course in case any explanation is required it would be their duty to obtain the necessary information.

When the whole of the examination is completed the Auditors must sign the Statement of Accounts in accordance with the Act of Parliament, stating that in their opinion it is a true and correct view of the Company's financial position.

## CHAPTER XIX.

### EXAMINATIONS IN BOOK-KEEPING.

IN order to pass an examination successfully great care is required in making the entries to the correct accounts.

For example, in the case of Bank book-keeping, the Cash Account and the Profit and Loss Account are important, and if the entries are correctly made to those accounts there is not much difficulty in preparing the Balance Sheet.

It must be remembered that every debit requires a corresponding credit, therefore the Ledger balances must agree if the entries have been correctly made.

On the other hand, if they are incorrect a fresh examination of all the entries is necessary, because the total of the debits must equal those of the credits.

In Journalising it is necessary to remember that the receiver must always be debited and the giver credited.

For example :—

Dr.		Cr.
Cash Received	£500	To Capital Account—
Goods Received	100	Giver . . . . . £500
		To S. Jones—
		Giver . . . . . 100

Good figures and neat writing are of the utmost importance; in a Bank an Inspector or Auditor's work is considerably lightened if the books are kept in a perfectly clear and methodical way.

On opening Ledger Accounts it is usual to write the headings large in order that the names should be conspicuous.

No erasures are allowed in book-keeping so that in case of mistakes the incorrect figures should be ruled out and the correct ones substituted.

When the principles of debit and credit entries are correctly understood there ought to be no difficulty in answering questions on book-keeping.

The use of the three principal books of account, *viz.*, Journal, Cash Book and Ledger, must always be remembered, and when a series of entries have to be recorded these books are to be used as much as possible. As already stated every credit entry requires a corresponding debit entry, and it must not be forgotten that in posting from the Journal to the Ledger *two* entries are required.

We have mentioned the three principal books, but of course the Ledger is the most important, because from it can be obtained the Balance Sheet and Profit and Loss Accounts. Subsidiary books are not always necessary, and the accounts of a small business could be kept with the following, *viz.* :—

Cash Book.

Day or Sold Book.

Invoice or Bought Book.

Journal.

Ledger.

## EXAMINATIONS IN BOOK-KEEPING.

Journal should be utilised when possible, but in the case of small amounts it can be dispensed with.

Goods Account, in whatever form, represents an indebtedness to the merchant who has converted cash into another form, so that Goods Account would be Debtor to Cash.

With regard to Trading and Contract Accounts, all charges are debited, including cost of material, wages and expenses of management; if a contract is only partly executed, and the books require balancing, the amount already expended must be treated as an asset and consequently debited.

In balancing accounts the difference is stated on the side which shows the larger amount. For example:—

### CASH ACCOUNT.

Dr.					Cr.				
1900.		£	s.	d.	1900.		£	s.	d.
Jan. 1	To Capital . .	100	0	0	Jan. 5	By Goods . .	20	0	0
	„ Goods . .	50	0	0		„ F. Evans . .	10	0	0
	„ Jones & Co . .	20	0	0		„ Balance . .	150	0	0
		180	0	0					
	Balance . .	150	0	0			180	0	0

It will be noticed that on balancing this account the difference is shown as stated.

Specimen examination papers are given of the Society of Arts and Institute of Bankers, and, if carefully studied, little difficulty will be experienced in answering similar questions.

The Trading Accounts, Profit and Loss and Balance Sheet will be similar in all commercial transactions.

As a knowledge of book-keeping can be obtained by examination of the half-yearly reports of banks and trading companies, a series of Balance Sheets are appended.

### SOCIETY OF ARTS EXAMINATION.

\* Black and White are partners on the following terms:—

(1) To receive 5 per cent. interest upon their respective Partnership Capital with yearly rests.

(2) To receive as Partnership Salaries: Black, £50 per month; White, £20 per month, and to withdraw no further sums pending ascertainment of profits.

(3) Depreciation of 10 per cent. to be written off Plant and Machinery as standing in the books at the end of the year.

(4) Provision at 5 per cent. (for doubtful debts) to be reserved upon all Book Debts excepting Bank Receipts.

(5) The net Profit or Loss to be shared thus: Black, two-thirds; White, one-third.

On 30th November, 1897, the following was the Trial Balance of the firm's books, which were kept upon the Double Entry System:—

	Dr.			Cr.		
	£	s.	d.	£	s.	d.
Black (Capital Account, Jan. 1, 1897)				4,200	0	0
White ( " " " " )				1,500	0	0
Black (Drawings Account under Clause 2)	550	0	0			
White ( " " " " )	220	0	0			
Purchases . . . . .	25,462	0	0			
Investments—						
Consols at Cost . . . . .	1,230	0	0			
Dividends on Consols at Cost Received . . . . .				80	0	0
Wages . . . . .	3,841	0	0			
John Jones & Son . . . . .	3,426	0	0			
Jas. Smith & Co. . . . .	7,189	0	0			
Wm. Owen . . . . .	3,686	0	0			
Legal Expenses . . . . .	14	0	0			
Cash in Hand . . . . .	10	0	0			
" at Bank . . . . .	1,205	0	0			
Freehold Property . . . . .	20,641	0	0			
Machinery and Plant . . . . .	5,440	0	0			
Bills Payable . . . . .				8,815	0	0
" Receivable . . . . .	502	0	0			
Manager's and Clerks' Salaries . . . . .	945	0	0			
Office Expenses . . . . .	108	0	0			
Discount Account . . . . .	214	0	0			
Sales . . . . .				48,561	0	0
Stock Account (Jan. 1, 1897) . . . . .	3,842	0	0			
Roberts Bros. . . . .				8,248	0	0
Robinson & Co. . . . .				5,768	0	0
J. Green & Son . . . . .				6,968	0	0
Rent, 11 Months . . . . .	660	0	0			
	79,085	0	0	79,085	0	0

Open the accounts necessary to record the above particulars in the books, and post the undermentioned transactions for the month of December. The extent to which you use the Journal is at your own discretion:—

		£	s.	d.
Dec. 2	Purchased from Roberts Bros. on Credit . . .	7,841	0	0
" 8	Paid Rates . . . . .	141	0	0
" 9	" Robinson & Co. (after Deducting Discount, £12)	240	0	0
" 10	" Bill, No. 48 . . . . .	100	0	0
" 11	Received from J. Smith & Co. (less Discount, £42)	948	0	0
	Sold Wm. Owen & Co. (on Credit) . . . . .	1,000	0	0
" 15	Purchased from J. Green & Sons (on Credit) . . .	3,421	0	0
" 16	Bought Gas Engine from London Gas Engine Co. (on Credit) . . . . .	350	0	0
" 17	Paid Wages . . . . .	442	0	0
" 21	" Taxes . . . . .	21	0	0
" 24	" Premiums on Fire Policy for Year Ending Dec. 25, 1898 . . . . .	105	0	0
" 30	Received for Sale of Consols . . . . .	1,200	0	0
" 31	Paid Official Salaries . . . . .	300	0	0
	" Office Expenses . . . . .	20	0	0
	" Wages . . . . .	440	0	0
	Sold Jas. Smith & Co. (on Credit) . . . . .	1,049	0	0

All the above payments were made by cheque, and all amounts received were paid into the Bank upon receipt.

The Stock in Trade on 31st December, 1897, was certified by the partners as worth £3,400. The outstanding rent owing to Benjamin & Lewis for December (£60), and the partners' drawings for the same month (under Clause 2) must be provided for.

After making all adjustments provided for under the clauses of the Partnership Deed set out above, balance the books as on 31st December, 1897, and prepare a Trial Balance. Make closing entries raising a Trading and a Profit and Loss Account. Close this by dividing the net profits between the partners under Clause 5, and prepare the Balance Sheet.

## TRADING ACCOUNT.

Dr.				Cr.			
1897.		£	s. d.	1897.		£	s. d.
Dec. 1	To Stock Brought Forward	3,842	0 0	Dec. 31	By Sales Account	50,610	0 0
" 31	" Depreciation . . .	579	0 0		" Balance (Stock) Carried Down	3,400	0 0
	" Doubtful Debts . . .	763	0 0				
	" Purchases Account	30,724	0 0				
	" Wages Account	4,723	0 0				
	" Legal Expenses Account	14	0 0				
	" Salaries Account	1,305	0 0				
	" Office Expenses Account	128	0 0				
	" Discounts Account	244	0 0				
	" Rent Account	720	0 0				
	" Trade	184	0 0				
	" Profit and Loss Account	4,804	0 0				
		54,010	0 0			1,010	0 0
1898							
Jan. 1	" Stock Balance . . .	3,400	0 0				

## PROFIT AND LOSS ACCOUNT.

Dr.				Cr.			
1897.		£	s. d.	1897.		£	s. d.
Dec. 31	To Investments Account	30	0 0	Dec. 31	By Dividends Account	30	0 0
	" Interest Account . . .	286	0 0		" Trading Account . . .	4,804	0 0
	" Capital Account—						
	A Black . . . £23,013						
	B White . . . 1,508						
		4,519	0 0				
		4,834	0 0			4,834	0 0

## BALANCE SHEET OF BLACK &amp; WHITE,

31ST DECEMBER, 1897.

LIABILITIES.				ASSETS.			
	£	s. d.			£	s. d.	
Bills Payable . . .	3,715	0 0		Cash in Hand . . . £10			
Roberts Bros. . . £16,084				" at Bank . . . 1,414			
Robinson & Co. . . 5,516						1,424	0 0
J Green & Sons . . 10,389				Bills Receivable . . .		502	0 0
London Gas Engine Co. . . 360				J. Jones & Son . . . £3,426			
Benjamin & Lewis . . 80				J. Smith & Co . . . 7,198			
	32,309	0 0		Wm. Owen . . . 4,636			
					£15,260		
Capital—				Less Reserve for Doubtful Debts . . . 763			
A. Black . . . £26,823						14,497	0 0
B. White . . . 2,541				Insurance (unexpired) . . . 103		0 0	
	9,064	0 0		Stock in Trade . . . 3,400		0 0	
	45,778	0 0		Freehold Property . . . 20,641		0 0	
				Machinery and Plant . . . 8,211		0 0	
						46,778	0 0



## JOURNAL.

		Dr.			Cr.		
1897.		£	s.	d.	£	s.	d.
Dec. 1	Purchases . . . . .	25,462	0	0			
	Investments . . . . .	1,230	0	0			
	Bank . . . . .	1,205	0	0			
	Cash . . . . .	10	0	0			
	Freehold Property . . . . .	20,641	0	0			
	Machinery and Plant . . . . .	5,410	0	0			
	Bills Receivable . . . . .	502	0	0			
	Trading Account (Stock) . . . . .	3,842	0	0			
	Black's Drawing Account . . . . .	550	0	0			
	White's " " . . . . .	220	0	0			
	Wages . . . . .	3,841	0	0			
	J. Jones & Son . . . . .	3,426	0	0			
	Jas. Smith & Co. . . . .	7,139	0	0			
	Wm. Owen . . . . .	3,636	0	0			
	Legal Expenses . . . . .	14	0	0			
	Manager's and Clerks' Salaries . . . . .	915	0	0			
	Office Expenses . . . . .	108	0	0			
	Discounts . . . . .	214	0	0			
	Rent . . . . .	660	0	0			
	To Dividends (Consols) . . . . .				30	0	0
	" Bills Payable . . . . .				3,815	0	0
	" Sales . . . . .				48,561	0	0
	" Roberts Bros. . . . .				8,243	0	0
	" Robinson & Co. . . . .				5,768	0	0
	" J. Green & Son . . . . .				6,968	0	0
	" Black's Capital Account . . . . .				4,200	0	0
	" White's " " . . . . .				1,500	0	0
" 2	Purchases . . . . .	79,085	0	0	79,085	0	0
	To Roberts Bros. . . . .	7,841	0	0	7,841	0	0
" 8	Trade Expenses (Rates) . . . . .	141	0	0			
	To Bank . . . . .				141	0	0
" 9	Robinson & Co. . . . .	252	0	0			
	To Bank . . . . .				240	0	0
	" Discounts . . . . .				12	0	0
" 10	Bills Payable . . . . .	100	0	0			
	To Bank . . . . .				100	0	0
" 11	Bank . . . . .	948	0	0			
	Discounts . . . . .	42	0	0			
	To J. Smith & Co. . . . .				990	0	0
	Wm. Owen . . . . .	1,000	0	0			
	To Sales . . . . .				1,000	0	0
	Carry forward	89,409	0	0	89,409	0	0

## JOURNAL—(continued.)

		Dr.			Cr.		
		£	s.	d.	£	s.	d.
1897.	<i>Brought forward</i>	89,409	0	0	89,409	0	0
Dec. 15	Purchases . . . . .	8,421	0	0			
	To Green & Sons . . . . .				8,421	0	0
, 16	Machinery and Plant . . . . .	850	0	0			
	To London Gas Engine Co. . . . .				850	0	0
" 17	Wages . . . . .	442	0	0			
	To Bank . . . . .				442	0	0
	Trade Expenses (Taxes) . . . . .	21	0	0			
	To Bank . . . . .				21	0	0
" 24	Trade Expenses (Fire Premium) . . . . .	2	0	0			
	Suspense Account (Fire Insurance)	103	0	0			
	To Bank . . . . .				105	0	0
" 30	Bank . . . . .	1,200	0	0			
	To Investments (Consols) . . . . .				1,200	0	0
" 31	Manager's, etc., Salaries . . . . .	360	0	0			
	Office Expenses . . . . .	20	0	0			
	Wages . . . . .	440	0	0			
	To Bank . . . . .				820	0	0
	Jas. Smith & Co . . . . .	1,049	0	0			
	To Sales . . . . .				1,049	0	0
	Rent . . . . .	60	0	0			
	To Benjamin Lewis . . . . .				60	0	0
	Black's Drawing Account . . . . .	50	0	0			
	White's " . . . . .	20	0	0			
	To Bank . . . . .				70	0	0
	Interest . . . . .	285	0	0			
	To Black's Drawing Account (5 per cent. on £4,200) . . . . .				210	0	0
	" White's Drawing Account (5 per cent. on £15,000) . . . . .				75	0	0
	Trading Account Depreciation (10 per cent. on £5,790) . . . . .	579	0	0			
	To Machinery and Plant . . . . .				579	0	0
	Trading Account (Re-serve of 5 per cent. on £16,260) . . . . .	763	0	0			
	To Doubtful Debts . . . . .				763	0	0
		98,574	0	0	98,574	0	0

INSTITUTE OF BANKERS' EXAMINATIONS.

Prepare from the following items a Balance Sheet and Profit and Loss Account as at 31st December, 1887:—

The Limited Bank had on 1st January, 1887, a Capital paid up of	£100,000
And at the same date their Books showed the following items:—	
Liabilities to Customers on Current Accounts	175,000
"    "    on Deposits	125,000
"    "    Interest on Deposits	4,500
Rebate on Bills Discounted in 1886	475
Loans to Customers	250,000
Bills Receivable in hand	45,000
Cash in hand	10,000
"    "    at Call	35,000
Investments in Consols, Debentures, and other Securities	50,000
Bank Premises, Furniture, etc.	14,975
During the year 1887 the Bank had the following transactions:—	
Cash at Call repaid to Bank	50,000
"    Deposited during the year by the Bank	70,000
"    Received on Current Accounts	1,400,000
"    Paid on	1,825,000
Loans advanced to Customers	75,000
Old Loans repaid by	40,000
Interest charged on Loans	14,500
"    received on	10,000
"    "    on Cash at Call	700
Deposits received by Bank	50,000
"    repaid by	60,000
Interest paid on Deposits	8,750
Interest accrued on Deposits at 31st December, for year ending at that date	4,000
Interest received on Investments	2,000
Cash paid for Bills Receivable Discounted	120,400
Discount charged on	4,600
Bills receivable, Matured and Paid	110,000
Rebate of Discount on Bills, Discounted during 1887, but falling due in 1888	350
Bank Expenses, Salaries and other charges Paid	10,475
Interest due on Cash at Call, 31st December, 1887	400

### BALANCE SHEET.

	£	s.	d.		£	s.	d.
Capital . . . . .	100,000	0	0	Cash in hand . . . . .	8,075	0	0
Current Accounts . . . . .	250,000	0	0	„ at Call . . . . .	55,000	0	0
Deposit . . . . .	115,000	0	0	Investments . . . . .	50,000	0	0
Rebate on Bills not due . . . . .	850	0	0	Bills Discounted . . . . .	60,000	0	0
Interest due on Deposits . . . . .	4,750	0	0	Loans . . . . .	289,500	0	0
Profit and Loss . . . . .	7,850	0	0	Interest due on Cash at Call . . . . .	400	0	0
				Bank Premises . . . . .	14,975	0	0
	477,950	0	0		477,950	0	0

## PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Interest allowed	4,000	0	0	Rebate 1886 written back	475	0	0
Expenses	10,475	0	0	Interest, Loans	14,500	0	0
Rebate on Bills not due	350	0	0	"    Cash at Call	1,100	0	0
Balance carried to Balance Sheet	7,850	0	0	"    Investments	2,000	0	0
				Discount charged	4,600	0	0
	22,675	0	0		22,675	0	0

## CAPITAL ACCOUNT.

	Dr		Cr	Dr. Balance.		Cr. Balance.
	£	s.	d.	£	s.	d.
1887. Jan 1 By Balance			100,000			100,000

## CURRENT ACCOUNTS.

	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1887. Jan 1 By Balance			175,000			0			0			175,000
Dec 31 " Cash			1,400,000			0			0			1,575,000
" To "	1,325,000	0	0									250,000

## DEPOSIT ACCOUNTS

	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1887. Jan. 1 By Balance			125,000			0			0			125,000
Dec 31 " Cash			50,000			0			0			175,000
" To "	60,000	0	0									115,000

## INTEREST ON DEPOSITS.

	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1887. Jan 1 By Balance			4,500			0			0			4,500
Dec. 31 To Cash	3,750	0	0									750
" By Profit and Loss			4,000			0			0			4,750

## REBATE ON BILLS.

	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1887. Jan. 1 By Balance			475			0			0			475
" To Profit and Loss	475	0	0									
Dec. 31 By Profit and Loss			350			0			0			350

## LOANS TO CUSTOMERS.

1887.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance	250,000	0	0				250,000	0	0			
Dec. 31	" Cash	75,000	0	0				325,000	0	0			
"	By "				40,000	0	0	285,000	0	0			
"	To Profit and Loss, Interest	14,500	0	0				299,500	0	0			
"	By Cash				10,000	0	0	289,500	0	0			

## BILLS RECEIVABLE

1887.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance	45,000	0	0				45,000	0	0			
Dec. 31	" Cash	120,400	0	0									
"	By "				110,000	0	0	55,400	0	0			
"	To Profit and Loss, Discount	4,600	0	0				60,000	0	0			

## CASH

1887.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance	10,000	0	0				10,000	0	0			
Dec. 31	" Cash at Call	50,000	0	0				60,000	0	0			
"	By " " "				70,000	0	0				10,000	0	0
"	To Current Accs	1,400,000	0	0				1,390,000	0	0			
"	By " " "				1,325,000	0	0	65,000	0	0			
"	" Loans				75,000	0	0				10,000	0	0
"	To " "	40,000	0	0				30,000	0	0			
"	To Interest on Loans	10,000	0	0				40,000	0	0			
"	To Profit and Loss, Interest on Cash												
"	at Call	700	0	0				40,700	0	0			
"	To Deposits	50,000	0	0				90,700	0	0			
"	By " " "				60,000	0	0	30,700	0	0			
"	By Interest on Deposits				3,750	0	0	26,950	0	0			
"	To Profit and Loss, Interest on Investments	2,000	0	0				28,950	0	0			
"	By Bills Receivable				120,400	0	0						
"	To Bills Receivable	110,000	0	0				18,550	0	0			
"	To Profit and Loss, Expenses				10,475	0	0	8,075	0	0			

## CASH AT CALL.

1887		£	s.	d.	£	s.	d.	£	s.	d.
Jan 1	To Balance	35,000	0	0				35,000	0	0
Dec. 31	By Cash				50,000	0	0			
"	To "	70,000	0	0				55,000	0	0

## INVESTMENTS.

1887.		£	s.	d.	£	s.	d.	£	s.	d.
Jan 1	To Balance	50,000	0	0				50,000	0	0

## BANK PREMISES

1887		£	s.	d.	£	s.	d.	£	s.	d.
Jan 1	To Balance	14,975	0	0				14,975	0	0

## INTEREST ACCRUED

1887.		£	s.	d.	£	s.	d.	£	s.	d.
Dec 31	To Profit and Loss, Interest due on Cash at Call	400	0	0				400	0	0

## PROFIT AND LOSS ACCOUNT.

1887		£	s.	d.	£	s.	d.	£	s.	d.
Dec. 31	By Loans to Customers, Interest				14,500	0	0	14,500	0	0
"	By Cash at Call, Interest				700	0	0	15,200	0	0
"	To Deposits Interest	4,000	0	0				11,200	0	0
"	By Bills Receivable Discount				4,600	0	0	15,800	0	0
"	By Rebate on Bills, Dec. 31, 1886				475	0	0	16,275	0	0
"	By Rebate on Bills, Dec. 31, 1887	850	0	0				15,925	0	0
"	By Interest on Investments				2,000	0	0	17,925	0	0
"	To Expenses	10,475	0	0				7,450	0	0
"	By Interest due on Cash at Call				400	0	0	7,850	0	0



## BALANCE SHEET.

	£	s.	d.		£	s.	d.
Capital . . . . .	150,000	0	0	Cash in Hand . . . . .	84,842	0	0
Current Accounts . . . . .	667,300	0	0	"    at Call . . . . .	128,000	0	0
Deposit Accounts . . . . .	313,842	0	0	Investments . . . . .	460,000	0	0
Rebate on Bills not due . . . . .	1,525	0	0	Bills discounted . . . . .	205,000	0	0
Interest due on Deposits . . . . .	7,500	0	0	Loans and Overdrafts . . . . .	809,305	0	0
Profit and Loss				Interest due on Investments . . . . .	3,000	0	0
Balance brought forward . . . . .	4,658			Bank Premises . . . . .	12,750	0	0
Profit for year . . . . .	15,772						
	20,430						
Less Interest on Dividend . . . . .	7,500	12,930	0				
		1,153,097	0			1,153,097	0

## PROFIT AND LOSS

	£	s.	d.		£	s.	d.
Interest Allowed . . . . .	18,500	0	0	Discount charged . . . . .	10,500	0	0
Salaries . . . . .	6,950	0	0	Interest on Investments . . . . .	7,500	0	0
Directors' Fees . . . . .	2,000	0	0	Interest on Loans, etc . . . . .	21,250	0	0
Income Tax . . . . .	865	0	0	"    "    Cash at Call . . . . .	4,975	0	0
Sundry Expenses . . . . .	1,468	0	0				
Rent, Taxes, etc. . . . .	2,800	0	0				
Bad Debts . . . . .	2,345	0	0				
Rebate on Bills not due . . . . .	1,525	0	0				
Balance carried to Balance Sheet . . . . .	15,772	0	0				
	47,225	0	0		47,225	0	0

## CAPITAL ACCOUNT.

		Dr			Cr			Dr Balance			Cr Balance.		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1891.													
Jan. 1	By Balance . . . . .				100,000	0	0				100,000	0	0
Dec. 31	"    Cash . . . . .				50,000	0	0				150,000	0	0

## CURRENT ACCOUNTS.

		£			£			£			£		
		s.	d.		s.	d.		s.	d.		s.	d.	
1891.													
Jan. 1	By Balance . . . . .				826,300	0	0				826,300	0	0
Dec. 31	"    Cash . . . . .				2,417,000	0	0				2,743,300	0	0
"    To " . . . . .	2,556,000	0	0								387,800	0	0
"    By Bills Receivable . . . . .					280,000	0	0				667,800	0	0



## DEPOSIT ACCOUNTS.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	By Balance .				235,842	0	0				235,842	0	0
Dec. 31	" Cash .				664,000	0	0				899,842	0	0
"	To " .	586,000	0	0							813,842	0	0

## LOANS AND OVERDRAFTS.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance .	287,400	0	0				287,400	0	0			
Dec. 31	" Profit and Loss, Inter- est and Charges .	24,250	0	0				311,650	0	0			
"	By Profit and Loss, Bad Debts .				2,345	0	0	309,305	0	0			

## BILLS RECEIVABLE

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance .	165,200	0	0				165,200	0	0			
Dec. 31	" Discounts .	297,000	0	0				462,200	0	0			
"	By Cash				257,000	0	0	205,200	0	0			

## INVESTMENTS.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance .	140,000	0	0				140,000	0	0			
Dec. 31	" Cash, Con- sols .	95,000	0	0				235,000	0	0			
"	By Cash, India 2½ per cent. .				25,000	0	0	210,000	0	0			
"	To Cash, Co- lonial Bonds	150,000	0	0				360,000	0	0			
"	To Cash, Rail- way Debts .	100,000	0	0				460,000	0	0			

## CASH ACCOUNT.

1891		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan 1	To Balance	24,200	0	0				24,200	0	0			
Dec 31	.. Current Accs.	2,417,000	0	0				2,441,200	0	0			
	By " "				2,356,000	0	0	85,200	0	0			
	To Deposit Accs.	664,000	0	0				749,200	0	0			
	By " "				586,000	0	0	163,200	0	0			
	.. Bills Receivable				6,500	0	0	156,700	0	0			
	To Bills Receivable	257,000	0	0				418,700	0	0			
	By Interest on Deposits				6,000	0	0	407,700	0	0			
	To Interest on Investments	4,500	0	0				412,200	0	0			
	By Investments, Consols				95,000	0	0	317,200	0	0			
	To Investments, India 2½ per cent.	25,000	0	0				342,200	0	0			
	By Bank Premises, Cost of Freehold				12,750	0	0	929,450	0	0			
	By Investments, Colonial Bonds				150,000	0	0	179,450	0	0			
	By Investments, Railway Debts				100,000	0	0	79,450	0	0			
	By Profit and Loss, Salaries				6,950	0	0	72,500	0	0			
	By Profit and Loss, Directors' Fees				2,000	0	0	70,500	0	0			
	By Profit and Loss, Income Tax				865	0	0	69,635	0	0			
	By Profit and Loss, Sundry Expenses				1,468	0	0	68,167	0	0			
	By Profit and Loss, Rent, Taxes, etc.				2,800	0	0	65,867	0	0			
	By Cash at Call				308,000	0	0				242,633	0	0
	To " " "	280,000	0	0							12,633	0	0
	.. Profit and Loss, Interest, Cash at Call	4,975	0	0							7,658	0	0
	By Profit and Loss, Interim Dividend				7,500	0	0				15,158	0	0
	To Capital Ac.	50,000	0	0				34,842	0	0			

## CASH AT CALL.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan. 1	To Balance	50,000	0	0				50,000	0	0			
Dec. 31	„ Cash	308,000	0	0				358,000	0	0			
„	By „				230,000	0	0	128,000	0	0			

## INTEREST ON DEPOSITS.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Dec. 31	By Profit and Loss, Accrued to date				7,500	0	0				7,500	0	0

## INTEREST ON INVESTMENTS

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Dec. 31	To Profit and Loss, Accrued to date	3,000	0	0				3,000	0	0			

## BANK PREMISES.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Dec. 31	To Cash, Cost of Freehold	12,750	0	0				12,750	0	0			

## REBATE ON BILLS

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Dec. 31	By Profit and Loss				1,525	0	0				1,525	0	0

## PROFIT AND LOSS ACCOUNT.

1891.		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Jan 1	By Balance .				4,658	0	0				4,658	0	0
Dec. 31	" Discount charged				10,500	0	0				16,158	0	0
"	To Deposit Interest paid .	6,000	0	0							9,158	0	0
"	To Deposit Interest accrued .	7,500	0	0							1,658	0	0
"	By Interest on Investments Received .				4,500	0	0				6,158	0	0
"	By Interest on Investments Accrued .				3,000	0	0				9,158	0	0
"	To Salaries .	6,950	0	0							2,208	0	0
"	" Directors' Fees .	2,000	0	0							208	0	0
"	To Income Tax .	865	0	0				657	0	0			
"	By Loans and Overdrafts, Interest and Charges .				24,250	0	0				28,308	0	0
"	To Sundry Expenses .	1,468	0	0							22,125	0	0
"	To Rent, Taxes etc. .	2,800	0	0							19,325	0	0
"	By Interest on Cash at Call .				4,975	0	0				24,300	0	0
"	To Rebate on Bills Discounted .	1,525	0	0							22,775	0	0
"	To Bad Debts .	2,845	0	0							20,430	0	0
"	" Interim Dividend $7\frac{1}{2}$ per cent. .	7,500	0	0							12,930	0	0

## INSTITUTE OF BANKERS.

## PRELIMINARY PAPER.

*April, 1909.*

NOTE.—Seven only out of the following Ten questions are to be attempted. The number of marks assigned to each question is given in brackets at the end of the same.

*(Time allowed - Two hours.)*

## DEFINITION AND GENERAL PRINCIPLES.

1.—M. Rankin and W. King decide to amalgamate their two businesses under the style or firm of Rankin & King.

The firm decided to take over the following Assets and Liabilities at the figures stated : -

From M. Rankin	
Land and Buildings . . . . .	£10,000
Plant and Machinery . . . . .	5,000
Stock-in-Trade . . . . .	3,000
Work in Progress . . . . .	1,000
Debtors . . . . .	5,500
Cash at Bank . . . . .	1,000
Bills Receivable . . . . .	2,000
Bills Payable . . . . .	3,000
Reserve for Discount on Debtors . . . . .	150
Creditors . . . . .	6,600
Mortgage Creditor . . . . .	8,000
From W. King.	
Stock-in-Trade . . . . .	£6,000
Debtors . . . . .	10,000
Cash at Bank . . . . .	2,000
Creditors . . . . .	5,000

Make the opening Journal entries in respect of the above, post the same to Ledger Accounts, and prepare Starting Balance Sheet of Rankin & King showing the respective Capitals of M. Rankin and W. King in the new firm. (20 marks.)

2.—What is the distinction between "Gross" and "Net" Profit or Loss; also between "Account Sales" and "Account Current". Set out an Account Current, inserting twelve amounts therein. (10 marks.)

3.—Enter the following transactions in the respective Bought and Sold Day Books, Journal and Cash Book, and post to the Ledger; balance the Ledger Accounts and prepare a trial balance :—

- (a) Purchased from A. Bray & Co. 200 tons Pig Iron at 45s. per ton, £450.
- (b) Sold Wm. Smith & Co. 40 tons Pig Iron at 60s. per ton, £120.

Pa d Carriage thereon, £10.

- (c) Sold F. Midlane 148 tons Pig Iron at 48s., £355 4s.
- (d) Received Cheque £118 from Wm. Smith & Son in payment of Pig Iron Discount allowed, £2
- (e) Received from F. Midlane Cash on Account, £200.
- (f) Withdrew from Bankers £100, from which were paid Salaries £50, Rent £40, and £10 advanced to Petty Cash.
- (g) Accepted A. Bray & Co.'s Bill for £450 at three months (20 marks)

1 — Explain the terms —

- (a) Debit and Credit
  - (b) Assets and Liabilities
  - (c) Revenue Account and Profit and Loss Account.
  - (d) Cash Account and Income and Expenditure Account.
- (10 marks)

5 — (a) A. Brandt sells B. Spicer goods to the value of £500

(b) A. Brandt buys from B. Spicer goods to the value of £300.

(c) A. Brandt receives from B. Spicer Cash £250

Show the above transactions as they would appear in

(a) A. Brandt's Ledger.

(b) B. Spicer's Ledger. (10 marks)

6. When an Invoice of a Purchase is received, how would the accuracy of the same, in large works, be ascertained as to quantities and prices, and what Signatures would be required before the Book-keeper would enter such Invoice in the Purchase Day Book. (10 marks)

7. Make out an Account Sales of 500 Bales of Cotton from New Orleans per ss. "Wilmslow" consigned to M. Cook & Sons on Commission by John Smythe & Co.

Sold 250 Bales = 103,270 lbs. at 5d. per lb. to W. Soley.

" 200 " 80,375 " 6½ " W. Boothe.

Remainder Unsold.

Charges paid by Consignee as follows. —

Freight, £160.

Insurance and Other Charges, £250.

Commission on Sales, 2½ per cent. (10 marks)

8.—Explain the terms "Bills Receivable," "Bills Payable" and

"Bill of Exchange". Rule a form of Bills Receivable Book and enter particulars of two bills thereon. Open Personal and Impersonal Ledger accounts in respect of the two bills and post the bills to such Accounts (15 marks)

9.—How would you proceed to prepare a Profit and Loss Account and a Balance Sheet, and what nature of item would be inserted in each account respectively?

10.—The following figures are all Balance Sheet items from which prepare a Balance Sheet of the Firm of Black & White at 31st December, 1908.

C. Black Capital	.	.	£5,000
L. White Capital Account in debit	.	.	£2,000
Land and Buildings	.	.	3,000
Plant	.	.	1,000
Debtors	.	.	6,000
Stock of Goods	.	.	5,000
Reserve for Bad Debts (Credit Balance)	.	.	500
Creditors	.	.	5,000
Bills Payable	.	.	2,000
C. Black Drawings	.	.	500
L. White "	.	.	600
Depreciation of Buildings (Credit Balance)	.	.	500
Profit - -			
C. Black $\frac{1}{2}$	.	.	1,400
L. White $\frac{1}{2}$	.	.	700
			2,100
Loan from Bankers	.	.	3,000
			(15 marks.)

### FINAL PAPER

#### *Double Entry Elucidation and Explanation.*

1.—S. Synne was in business and decided to sell the goodwill to a Limited Company

A Limited Company was incorporated with a nominal Capital of £100,000, viz., 10,000 Shares of £10 each, of which 5,000 Shares fully paid were issued to S. Synne in respect of the goodwill, and 3,000 Shares were applied for and allotted to the general public

These latter 3,000 Shares were payable as follows --

£1 per Share on Application.

£2 per Share on Allotment, 1st October, 1908.

£2 per Share First Call on 1st December, 1908.

£2 per Share Second Call on 1st February, 1909.

The Application and Allotment money, together with £5,000 in respect of the First Call and £1,000 in respect of the Second Call, was received and paid into the Banking Account, the balance of the Ledger Account representing Calls unpaid. Make the opening Journal and

Cash Book entries for the above transactions and post the same to the Ledger.

Prepare the First Balance Sheet of the Company as at 2nd February, 1909, assuming there has been no Capital Expenditure and that the whole of the money received remains at the Bankers. (25 marks.)

2.—The following is the financial position of Richardson & Pickford at 1st January, 1908:—

Dr.		BALANCE SHEET.				Cr.				
	£	s.	d.	£	s.	d.		£	s.	d.
To Creditors—							By Cash at Bankers			2,000 0 0
On Bills Payable .	800	0	0				By Bills Receivable			750 0 0
A Willing .	1,250	0	0				By Debtors			
B Glover .	550	0	0				W. F. Fowle .	1,200	0	0
							M Pilkington	800	0	0
				2,600	0	0		2,000	0	0
							Less Reserve for Discount .	50	0	0
To Capital—										1,950 0 0
C F Richardson .	5,050	0	0				By Stock of goods			3,000 0 0
G. Pickford .	5,050	0	0				By Plant and Machinery			2,000 0 0
				10,100	0	0	By Land and Buildings .			3,000 0 0
				12,700	0	0				12,700 0 0

The following is a Summary of the Cash Book for the twelve months ending 31st December, 1908:—

Dr.		Cr.	
	£ s. d.		£ s. d.
To Balance at Jan. 1, 1908 .	2,000 0 0	By Salaries . . . . .	600 0 0
To Receipts from W. F. Fowle . . . . .	7,850 0 0	By Wages . . . . .	740 0 0
To Receipts from M. Pilkington . . . . .	5,650 0 0	By Bills Payable . . . . .	3,650 0 0
To Bills Receivable . . . . .	4,500 0 0	By Payments to A. Willing . . . . .	1,850 0 0
		By Payments to B. Glover . . . . .	2,500 0 0
		By General Office Expenses . . . . .	400 0 0
		By Drawings, C. F. Richardson . . . . .	750 0 0
		By Drawings, G. Pickford . . . . .	750 0 0
		By Balance at Dec. 31, 1908 . . . . .	5,750 0 0
	20,000 0 0		20,000 0 0

Post the whole of the above items to their respective Ledger Accounts:—



The following are the remaining transactions for the year ending 31st December, 1908, which enter in their respective Day Books or Journal and post to the Ledger Accounts:—

	£	s.	d.
Purchases from A. Willing . . . . .	12,000	0	0
Purchases from B. Glover . . . . .	8,000	0	0
Discount allowed by A. Willing . . . . .	50	0	0
Sales to W. F. Fowle . . . . .	12,550	0	0
Sales to M. Pilkington . . . . .	6,450	0	0
Discount allowed to W. F. Fowle . . . . .	100	0	0
Bills Receivable from W. F. Fowle . . . . .	4,550	0	0
Bills Payable accepted for A. Willing . . . . .	7,750	0	0
Stock of goods at December 31, 1908 . . . . .	8,500	0	0

At December 31, 1908, write off Depreciation in Plant and Machinery £200, and provide Reserves for—

Land and Buildings . . . . .	£150
Discount on Debtors . . . . .	100

Take out a Trial Balance of the Ledger Balances and afterwards prepare a Profit and Loss Account and Balance Sheet at 31st December, 1908. Divide the profit equally between the two partners. (40 marks.)

3.—Journalise in tabular form the following sales, placing all the Impersonal items under their respective separate accounts.

W. Wills & Co.—		£	s.	d.
For Goods . . . . .		650	0	0
Brokerage . . . . .		12	0	0
Insurance . . . . .		3	0	0
Freight . . . . .		12	0	0
Other Charges . . . . .		3	0	0

W. Jones & Co.—		£	s.	d.
For Goods . . . . .		1,000	0	0
Commission . . . . .		20	0	0
Freight . . . . .		10	0	0
Charges . . . . .		5	0	0
		1,035	0	0
Less Interest . . . . .		20	0	0
		1,015	0	0

A. Bosden & Co.—		£	s.	d.
For Goods . . . . .		500	0	0
Commission . . . . .		10	0	0
		510	0	0
Less Interest . . . . .		15	0	0
		495	0	0

(10 marks.)

4.—The following is the Trial Balance of Messrs. Jones & Colville at 31st December, 1908:—

	£	s.	d.	£	s.	d.
Bills Payable . . . . .				700	0	0
Land and Buildings . . . . .	7,000	0	0			
Work in Progress at December 31, 1908 . . . . .	2,500	0	0			
Received on account of Work in Progress to December 31, 1908 . . . . .				1,500	0	0
Stock of Goods at January 1, 1908 . . . . .	4,000	0	0			
F. Jones, Capital . . . . .				10,000	0	0
G. Colville, Capital . . . . .				5,000	0	0
Plant and Machinery . . . . .	5,000	0	0			
Bills Receivable . . . . .	1,500	0	0			
Purchases . . . . .	13,000	0	0			
Sales . . . . .				22,000	0	0
Wages . . . . .	3,500	0	0			
Salaries . . . . .	570	0	0			
Rates and Taxes . . . . .	200	0	0			
General Office Expenses . . . . .	500	0	0			
Partners' Salaries . . . . .	800	0	0			
Furniture and Fixtures . . . . .	300	0	0			
Cash at Bank . . . . .	230	0	0			
Discounts . . . . .	500	0	0			
Creditors . . . . .				1,000	0	0
	40,200	0	0	40,200	0	0

Stock of Goods at 31st December, 1908, £6,470 Prepare Profit and Loss and Balance Sheet at 31st December, 1908, dividing the profit two-thirds to F. Jones and one-third to G. Colville, but before dividing the profit write off  $7\frac{1}{2}$  per cent. Depreciation from Plant and Machinery and create a Reserve of 5 per cent. in Land and Buildings. (15 marks.)

5.—A. McCall sold goods to M. Segoin on 1st July, 1908, amounting to £200. With the invoice Mr. McCall sent Mr. Segoin a bill for acceptance dated 1st July, 1908, for £200 at three months, which Mr. Segoin accepted. On 4th July Mr. McCall discounted the bill with his Bankers, receiving credit in his Pass Book for £200 and was charged £5 for Discount. On 1st October, 1908, Mr. McCall received from Mr. Segoin a cheque for £105 representing £100 on account of the bill and £5 for Interest, and a further bill for £100 at three months dated 1st October, 1908. Mr. McCall paid the cheque into the Bank but did not discount the bill. On 4th October, 1908, Mr. McCall handed to Mr. Segoin a cheque for £200 to meet the bill then due. On 1st January, 1909, Mr. McCall paid the bill for £100 into his banking account for collection and this was duly met by Mr. Segoin.

Make the necessary entries in A. McCall's Journal and Cash Book, posting them into the Ledger. (15 marks.)

6.—Explain the meaning of the terms "Fixed and Floating Assets," also explain how you would arrive at the value to be placed upon the goodwill of a business for Balance Sheet purposes. (10 marks.)

7.—At 31st December, 1908, the Balances as per Cash Book and Bank Pass Book are as follows:—

Bank Overdraft as per Cash Book, £249.

Cash at Bank as per Cash Book, £78.

Explain the probable cause of the difference between the two books and make a Reconciliation Statement illustrating your answer. (5 marks.)

8.—Should a book-keeper in preparing a Balance Sheet of a trading concern show as a liability Bills Receivable under Discount with the Bankers; if so, show the entry you would make in the Balance Sheet. (5 marks.)

9.—In the case of a manufacturer, which items of Income and Expenditure should be included in the Manufacturing Account, and which in the Profit and Loss Account? (5 marks.)

10.—Explain what is meant by balancing on the Total System, and give specimen entries in a Debtor's Total Account. (5 marks.)

**SPECIMEN OF BANKING ACCOUNT—**  
**LLOYDS BANK LIMITED.**  
**BALANCE SHEET**  
*31st December, 1908*

LIABILITIES.		ASSETS.	
	£	s.	d.
Current, Deposit, and other Accounts including Balance of Bills and provision for Contingencies	73,803,706	1	4
Profit and Loss Balance, as per Account below	468,985	15	1
	74,272,691	18	5
	5,032,926	18	8
Bills Accepted or Endorsed			
Liabilities in respect of Customers' Loans to Brokers, fully secured	421,500		
Capital paid up, viz. 521,150 Shares of £50 each, £s. per Share paid	1,171,600	0	0
Reserve Fund	3,000,000	0	0

**PROFIT AND LOSS ACCOUNT.**  
*For the Year ended 31st December, 1908.*

Dr.	£	s.	d.	Cr.	£	s.	d.
To Interim Dividend for Half-year ended 30th June, at 17½ per cent. per annum.	925,015	0	0	By Balance brought forward from last year	76,187	11	1
Bank Premises	40,000	0	0	Net Profit for the year, after making provision for Reserve, Bad Debts and Contingencies	843,037	18	5
Income Tax	45,224	11	5				
Half-year's Dividend to 31st December, at 18½ per cent. per annum.	4,381,087	10	0				
Balance carried forward to next year	77,594	5	1				
	468,985	15	1				
	919,225	9	6		919,225	9	6

SPECIMEN OF BANKING ACCOUNTS.  
BARCLAY & COMPANY, LIMITED.  
BALANCE SHEET.  
30th June, 1909.

Dr.	LIABILITIES.		ASSETS.		Cr.	
	£	s. d.	£	s. d.	£	s. d.
To Current, Deposit and other Accounts (including balance of Profit and Loss)	45,030,024	16 11	By Cash in hand, at Bank of England and with other Bankers	7,573,719	16 1	
.. Acceptances for Customers	306,361	5 5	.. Cash at Call and Short Notice	6,019,700	0 0	
.. Capital, viz.—	3,200,000	0 0	.. Bills Discounted			13,593,419
400,000 Shares of £20 each, £8 paid	1,250,000	0 0	.. INVESTMENTS—			5,604,122
.. Reserve Fund ( <i>per contra</i> )			(including £289,219 13s. 4d. Securities lodged for County and other Public Accounts)			
			British Government Securities and Bank Stock	3,289,181	0 11	
			British Corporation and Public Boards Stocks and Bonds	902,825	0 0	
			Indian and Colonial Government Securities, including Guaranteed Railways	1,695,222	19 3	
			British Railway Debenture Guaranteed and Preference Stocks	1,452,833	16 2	
			Other Securities	1,971,542	8 10	
			Reserve Fund :—	9,311,305	14 2	
			£914 0s. 3d., 3d. Consols at 83			
			4,233,157 17s. 11d. Local Loans Stock at 95			
			£248,800 Egyptian 3 per cent. loan at 97, guaranteed by the British Government	1,250,000	0 0	
			.. Advances to Customers, etc.			10,561,305
			.. Liability of Customers for Acceptances ( <i>per contra</i> )			21,850,057
			.. Bank Premises and adjoining Property			306,361
						1,371,118
						52,786,386
						2 4

### PROFIT AND LOSS ACCOUNT.

169

Dr.	LIABILITIES.		ASSETS.		Cr.
	£	s d.	£	s d.	
	To Salaries and other Expenses at Head Office and Branches, including Income Tax	663,266	18	1	
	Directors' Remuneration	14,693	9	4	
	Staff Pension Fund	5,000	0	0	
	Investment Reserve Account	30,000	0	0	
	Interim Dividend of 12s. per Share on 400,000 Shares, free of Income Tax.	240,000	0	0	
	Dividend of 12s. per Share on 400,000 Shares, free of Income Tax	240,000	0	0	
	Balances, being undivided Profit, carried forward to the next year.	117,245	4	6	
		1,250,116	11	11	
					1,250,116
					11
					11

## TRADING COMPANY.

BALANCE SHEET, YEAR ENDING 29TH DECEMBER, 1900.

LIABILITIES.			ASSETS.		
£	s.	d.	£	s.	d.
To Capital £150,000, whereof issued 149,997 Shares of £1 each					
" Debentures—			209,888	2	2
" 700 at £100 each					
" Sundry Creditors .			15,400	14	10
" Reserve Fund					
" Net Revenue Account .			34,986	19	5

## PROFIT AND LOSS ACCOUNT

	£	s.	d.	£	s.	d.
To Rents, etc., Farms and Branches.	5,052	1	6	By Gross Profit on Trading, Produce, etc.	86,821	5 3
" Managing Director's Fee	1,000	0	0	" Rents.	1,899	19 6
" Auditors' Fee	125	0	0	" Interest and Transfer Fees	492	14 1
" Wages and other Trade Expenses	60,815	13	2			
" Balance, being Net Profit on the Year	22,721	4	2			
	89,213	13	10		89,213	13 10

## NET REVENUE ACCOUNT.

	£	s.	d.	£	s.	d.
To Dividend paid 3rd February, 1909	5,999	16	6	By Balance from last Year	22,456	13 4
" Directors' Fees	500	0	0			
" Reserve Fund	1,500	0	0		22,456	13 4
" Balance Down	11,456	16	10			
	22,456	13	4			
To Interim Dividend at rate of 8 per cent. per annum, paid 4th August, 1909	5,999	17	7	By Balance Down	11,456	16 10
" Interest on Debentures, 12 months ending 31st December, 1909	3,150	0	0	" Profit and Loss Account : Net Profit for the Year	22,721	4 2
" Balance available for Dividend, Directors' Fees, etc.	25,028	3	5			
	41,727	1	0		34,178	1 0



Form

## TELEGRAPH

## REVENUE ACCOUNT.

	£	s.	d.	£	s.	d.
To General Expenses in London . . . . .	7 909	8	8			
„ General Expenses at Stations . . . . .	61,558	14	11			
„ Electrician's Consulting Fee . . . . .	50	0	0			
„ Use of Patents . . . . .	275	0	0			
„ Directors' Remuneration . . . . .	2,091	15	8			
„ Auditors' Fees . . . . .	100	0	0			
„ Staff Endowment Assurance . . . . .	552	17	1			
„ Staff Pension Fund . . . . .	2,875	9	9			
„ Expenses in connection with Negotiations, etc.	1,491	19	0			
„ Expenses attending Maintenance of Cables . . . . .	28,260	16	6			
<i>(See Abstract C, page 135.)</i>						
„ Maintenance Ships' Reserve Fund . . . . .	3,500	0	0			
„ Income Tax . . . . .	5,680	7	8	108,660	1	2
„ Interest and Sinking Fund on account of 5 per cent. Australian Subsidy Debentures . . . . .	7,583	12	11			
„ Interest on 4 per cent. Mortgage Debenture Stock . . . . .	6,400	0	0			
„ Removal of Head Office . . . . .	5,000	0	0			
„ Donation towards Indian Famine Fund . . . . .	500	0	0			
				25,114	0	7
				133,774	1	9
„ Balance . . . . .				179,452	16	2
				313,226	17	11
„ First Interim Dividend of 1900, 2/6 per Share paid 14th July, 1900 . . . . .	31,250	0	0			
„ Second Interim Dividend of 1900, 2/6 per Share paid 15th October, 1900 . . . . .	31,250	0	0			
				62,500	0	0
„ Provision for Dividend on New Shares . . . . .				120	0	0
„ Amount carried to General Reserve Fund . . . . .				100,000	0	0
„ Balance carried forward . . . . .				16,832	16	2
				179,452	16	2

5.

COMPANY.

HALF-YEAR ENDED 30TH JUNE, 1900.

**Ср.**

[illegible]

## ABSTRACTS OF

## ABSTRACT A.

## ABSTRACT B.

STATEMENT OF GENERAL EXPENSES  
IN LONDON.STATEMENT OF GENERAL EXPENSES  
AT STATIONS.

	£	s.	d.		£	s.	d.
Salaries . . . . .	4,774	16	11	Salaries and Wages . . .	38,566	2	3
Wages . . . . .	250	6	10	Travelling Expenses . . .	3,238	8	2
Office Expenses . . . .	1,061	8	1	Rent, Taxes, House Al-			
Rent, Taxes, etc. . . .	947	13	11	lowances . . . . .	9,823	18	10
Stationery and Printing .	429	14	1	Expenses of Electric			
Postage, Bill and other				Lighting . . . . .	609	6	5
Stamps . . . . .	174	0	8	Provision and Ration Al-			
Advertising . . . . .	90	7	0	lowances . . . . .	860	10	9
Legal Expenses . . . .	80	16	10	Maintenance and Re-			
Repairs and Renewals to				newals of Instruments			
Furniture, etc. . . . .	91	8	11	& Electrical Apparatus	1,060	17	2
				Expenses of Land Lines	119	13	4
				Repairs and Renewals of			
				Furniture, Fittings, etc.	769	3	11
				Repairs to Buildings . .	1,655	6	8
				Insurances . . . . .	477	12	3
				Stationery and Printing .	1,643	7	8
				Office & Message Postages	257	19	9
				Office and Petty Expenses	763	19	11
				Medical Attendance . . .	592	1	4
				Service Messages . . . .	178	13	1
				Expenses of Porthcurno			
				School . . . . .	250	0	0
				Foreign Agencies . . . .	185	9	9
				Advertising . . . . .	3	13	0
				Messengers' Uniforms . .	112	3	2
				Income Tax . . . . .	100	12	2
				Guarantee of Staff and			
				Bank Balances Abroad	500	0	0
Per Revenue Account	7,903	8	3	Per Revenue Account	61,558	14	11

## REVENUE ACCOUNT.

## ABSTRACT C.

## EXPENSES ATTENDING MAINTENANCE OF CABLES.

	£	s.	d.
Expenses of s.s. <i>Sherard Osborn</i> . . . . .	4,188	18	4
" <i>Recorder</i> . . . . .	7,596	9	2
Cable Expended on Repairs, and Sundry Expenses of Stations after Deducting Value of Picked up Cable . . . . .	4,492	3	10
Insurance of Cable in Maintenance Ships and at Stations . . . . .	1,861	7	10
Expenses of Cable Depot at Singapore . . . . .	4,202	9	9
Agreed Charge for Call of Great Northern Company's s.s. <i>Storr</i> <i>Nordiske</i> and Charter for Repair of Cables in the China Seas . . . . .	2,440	0	0
Depreciation of Cable Stores . . . . .	8,479	7	7
Per Revenue Account . . . . .	28,260	16	6

DR.			BALANCE		
	£	s. d.	£	s. d.	
To Capital—					
250,000 Shares of £10 each . . . . .	2,500,000	0 0			
50,000 " " paid in respect thereof . . . . .	95,166	0 0			
300,000			2,595,166	0 0	
„ 5 per cent. Australian Subsidy Debentures—					
333 Debentures of £100 each, as per last Account			33,300	0 0	
„ 4 per cent. Mortgage Debenture Stock . . . . .			820,000	0 0	
			2,918,466	0 0	
„ Premium received on Account of New Issue of Shares . . . . .			17,879	0 0	
„ Reserve Funds—					
General . . . . .	1,065,772	4 11			
Maintenance Ships . . . . .	116,960	18 2			
Insurance for Maintenance Ships and Cables . . . . .	116,344	10 5			
Fire Insurances, Guarantees, etc. . . . .	83,312	14 0			
Depreciation of Buildings and Cable Depot . . . . .	21,900	19 10			
Removal of Head Offices . . . . .	15,000	0 0			
			1,419,291	7 4	
„ Sinking Fund—Australian Subsidy Debentures . . . . .			33,300	0 0	
„ Traffic and other Credit Balances . . . . .			37,374	17 6	
„ Debenture Interest Accrued and Unpaid . . . . .			5,148	6 8	
„ Proprietors for Dividends—					
Unclaimed Dividends . . . . .	1,862	1 6			
First Interim Dividend of 2/6 per Share, paid 14th July, 1900 . . . . .	31,250	0 0			
Second Interim Dividend of 2/6 per Share, paid 15th October, 1900 . . . . .	31,250	0 0			
Provision for Dividend on New Shares . . . . .	120	0 0			
			63,982	1 6	
„ Revenue Account Balance ( <i>see</i> page 132) . . . . .			16,832	16 2	
			4,542,074	9 2	

DR.			GENERAL RESERVE		
	£	s. d.		s. d.	
To Partial Renewal of Tasmania-Victoria Duplicate Cable . . . . .	13,239	5 7			
„ Balance carried down . . . . .	1,065,772	4 11			
			1,079,011	10 6	

## 177

CR

[illegible]

## Cf.

	£	s.	d.
By Balance at 31st December, 1899 . . . . .	967,581	9	2
„ Interest received during Half-year . . . . .	11,480	1	4
„ Amount transferred from Revenue Account . . . . .	100,000	0	0
	1,079,011	10	6
„ Balance as per Balance Sheet . . . . .	1,065,772	4	11



## REVENUE ACCOUNT (continued) —

	£	s	d.	£	s	d.	£	s	d.
<i>Brought forward</i>									
<i>To London Expenditure—</i>									
Secretary's Salary and Directors' Fees	131	5	0						
Stationery	106	2	6						
Postage and Cablegrams	44	0	6						
Stamps, Warrants, etc.	34	7	7						
Office Rent	17	10	0						
General Expenses	5	9	8						
				338	15	8			
<i>Mill and Openide Works—</i>									
Wages	8,023	2	0						
Carting Quartz	1,152	11	3						
Firewood	1,853	3	5						
Renewals and Repairs	2,263	5	0						
Salaries	26	0	0						
Stores	1,159	0	10						
Coal and Charcoal	101	8	7						
General Expenses	32	9	0						
Workmen—Insurance	80	19	8						
Carting out of Pit	909	12	11						
Wages—Cyanide	769	12	6						
Emptying Vats	331	0	0						
Carting to Hopper	516	0	0						
Stores	392	15	8						
Cyanide of Potassium	2,140	0	8						
Coal and Coke	123	11	8						
Lime	63	16	1						
Royalties	1,081	15	6						
Renewals and Repairs	72	9	5						
Firewood	132	17	5						
Storage and Cartage Sand	50	0	0						
Zinc Pans	94	3	6						
General Expenses	39	9	6						
				16,812	17	5			
				196	751	7	11		



## MINING COMPANY.

## REVENUE ACCOUNT.

FROM 13TH FEBRUARY TO 15TH AUGUST, 1900—(continued).

	£	s.	d.	£	s.	d.
<i>Brought forward</i>				106,751	7	11
<i>To Foundry—</i>						
Wages	409	2	2			
Stores and Materials	23	3	7			
Pig and Scrap Iron	570	12	5			
Coke, etc.	70	8	8			
General Expenses		0	6			
				1,073	7	10
				1,657	5	5
Balance as per Balance Sheet				109,482	1	2
				109,482	1	2

## LONDON OFFICE.

	£	s.	d.	£	s.	d.
<i>To Balance</i>	20,259	4	4	10,543	15	2
Cyanide Bullion Shipped to London						
813 oz. 19 dwt. 23 gra. Smelted Gold Shipped to London	2,871	9	7			
Exchange Deducted from Dividends	255	10	7			
Capital Paid-up on 1,350 Shares	236	5	0			
Transfer Fees	154	15	0			
81st Dividend of 1s. on 600 Shares London Register paid at Head Office	30	0	0			
				23,847	4	8
				34,390	19	8
<i>By Secretary and Directors' Fees</i>						
Dividend on London Register allowed for out of Bullion Shipped						
Stationery				125	0	0
Postages and Cablegrams				25,701	10	0
Stamps and Warrants				106	2	6
Office Rent				44	0	6
General Expenses				34	7	7
				17	10	0
				5	9	8
Balance				28,034	0	3
				8,366	19	5
				34,390	19	8

## BALANCE SHEET.

	£	s.	d.	£	s.	d.	£	s.	d.
To Nominal Capital				72,000	0	0			
" Unclaimed Dividend				83	15	1			
" Contract Deposit—									
Mine	8	0	0						
Mill	20	0	0						
" Reserve Fund				28	0	0			
" Revenue Account—				10,000	0	0			
As per Balance Sheet, 13th February, 1900	27,600	11	0						
" Add Balance, 15th August, 1900	1,657	5	5	29,262	16	5			
" Outstanding Accounts				303	6	8			
By: Uncalled Capital as per Balance, 13th February, 1900							6,727	17	6
" Less Shares Converted into Paid-up since							1,249	13	6
Property Account									
Plant, Machinery and Buildings—									
Mine									
Mill Balance, 13th February, 1900	27,680	13	10						
Additions for Half-year	239	3	6						
Cyanide Works Balance, 13th February, 1900									
Additions for Half-year	6,897	19	0						
Assay Plant	1,160	4	9						
Branch Lane									
Stock Account—									
Mine	355	10	0						
Mill	1,061	12	8						
Cyanide Works	369	7	4						
Foundry	1,366	6	0						
Outstanding Accounts due to February									
Outstanding Account for Sand and Sludges									
Balance—									
London Office Cr. including Bullion in Transit	8,356	19	5						
Mine Account Cr. Bank of Australasia	7,847	6	9						
Mill Account Cr. Bank of Australasia	207	16	8						
Manager's Petty Cash Cr.	40	0	0						
Less Foundry Account Dr. Balance	16,952	21	0						
				5	11	1			
							16,843	11	9
							111,677	18	2

## ABBREVIATIONS.

a/c	Account.
@	at.
A/S	Account Sales.
B/B	Bill Books.
B/L	Bill of Lading.
B/P	Bill Payable.
B/R	Bill Receivable.
B/S	Bill of Sale.
c/a	Capital Account.
C/B	Cash Book.
C/d	Cum dividend.
C.I.F.	Cost, insurance and freight.
c/o	Care of.
Co.	Company.
C.O.D.	Cash on Delivery
D/B	Day Book.
do.	ditto.
Div.	Dividend.
d/d	Days after date.
d/s	Days after sight.
\$	Dollars.
E.E.	Errors excepted
E. & O.E.	Errors and omissions excepted.
ex.	Example, or out of, as ex s.s. Carpathia.
f.g.a.	Foreign General Average
f.o.b.	Free on board.
* f.o.r.	Free on rail.
f.p.a.	Free of particular average.
IOU	I owe you.
I.B.	Invoice Book.
Inst.	Instant or present month.
J.a.	Joint Account.
J.f.	Journal Folio.
L/C	Letter of Credit.
Ld.	Limited.
m/d	Months after date
N.A	No advice—written on Bills when unpaid.
N.B.	Nota Bene, take notice.
N.O. }	No orders. Not sufficient—written on Bills and Cheques when unpaid.
N.S. }	
O/a	On account of.
%	Per cent
P.C.B.	Petty Cash Book.
P.P. }	Per procuracionem, by authority of.
p.pro. }	
pro tem	Pro tempore—for the time.
Prox.	Proximo or next month
S/B	Sales Book.
T/B	Trial Balance.
T/T	Telegraphic Transfer.
Ult.	Ultimo or last month.
X.d.	Ex dividend.

## CHAPTER XX.

### GLOSSARY.

*Account (A/c).*—A statement showing the position with regard to money or goods between firms or individuals. A Banking account is a similar account between banker and customer showing the amount of money owing to or from such persons.

*Account Current.*—A statement showing the particulars of transactions which have been carried on for a certain definite period.

The Current Account of a customer with a Bank shows the payments and receipts of money and is a copy of the Ledger Account.

*Account Payee.*—These words are sometimes written across a cheque, and signify that the proceeds are to be credited to the account of the person named as payee. The words have no statutory meaning and the negotiability of a cheque is in no way limited.

*Account Sales (A/s).*—The total amount of goods sold which are journalised at once or debited periodically.

*Account, Suspense* --An account opened in the Ledger for the purpose of dealing with transactions which cannot be properly debited or credited to the correct account without further particulars.

*Ad valorem.*—A Latin phrase meaning according to value. A customer's *ad valorem* duty is a percentage charged upon the value of goods but not upon their weight or quantity. An *ad valorem* Stamp Duty is the amount payable upon Bills of Exchange or other documents which require stamping according to the amount stated.

*Advances.*—A term used by Banks for Loans or Overdrafts granted to customers either against securities or as an unsecured loan.

*Advice.*—An instruction sent by one person to another usually by letter. For example, an advice sent by one Bank or merchant to another informing him of Drafts or Bills drawn, with full particulars as to amounts, dates, and to whom payable. The document sent is usually known as a Letter of Advice and gives the necessary particulars in order to avoid mistakes.

*After Date.*—A term written upon a Bill of Exchange, after the period of time, from the drawing of a bill to the date of payment.

*After Sight.*—A term used in connection with Bills of Exchange. Such bills must be presented to the drawee for acceptance. The acceptor must insert the date of his acceptance, upon an after sight bill in order that the holder may know when the bill is payable.

*Allonge.*—A slip of paper attached to a cheque or Bill of Exchange for the purpose of providing space for additional indorsements. As it forms a part of the original document it requires no stamp. Some of the foreign codes require that the first indorsement on the allonge shall commence on the bill itself and end on the allonge as a protection against the allonge being detached.

*Allotment.*—When a new company comes into existence the directors make a distribution of shares or debentures amongst the applicants for the same, and such distribution is known as an allotment. No allotment can be made unless the provisions of the Companies Acts are strictly complied with.

*Amortisation.*—The reduction of a debt by means of a sinking fund.

*Annuity.*—The amount paid at specified periods during the life of any person or in perpetuity.

*Ante-date.*—The date earlier than the real date

*Arrangements, Deed of.*—A deed conveying property to a trustee or trustees for the payment *pro rata* of the debts owing by an insolvent debtor. The object of the deed is to prevent the publicity and expense of bankruptcy proceedings. The deed must be registered and is chargeable with an *ad valorem* stamp duty of £1 per £1,000 or fraction thereof, with a maximum of £5 payable upon the value of the property passing or the amount of composition to be paid.

*Articles of Association.*—The rules and regulations under which the business of a Limited Company is carried on. The powers of the Directors are set forth in this document. The articles are governed by the Memorandum of Association which defines the purposes for which the Company is formed. The articles cannot be altered except by a special resolution of the shareholders, and a Company cannot contract itself out of its power to make alterations. When a Company opens an account with a Bank it is necessary for the Company to produce the Articles of Association together with the Memorandum of Association and the Certificate of Incorporation. In some cases the Certificate to commence business is required.

*Assets*.—The property, of whatever kind, including moneys, belonging to a firm or individual. The assets of a Bank consist of Cash, Money at Call, Investments, Securities held against Loans, Bills Discounted and Real and Leasehold Property.

*At Sight*.—Bills of Exchange are sometimes drawn at sight, and when so drawn are payable on demand, no days of grace being allowed.

*Audit*.—An examination of the accounts of a firm or individual for the object of ascertaining whether the statements as entered in the books of the firm or the individual are correct. In a Bank there is a continual audit of Cash and Bank Notes, as well as of Bills of Exchange and Securities which are held on behalf of the Bank or its customers. The half-yearly audit is certified by an Auditor who in accordance with the Companies Act of 1900 is a recognised officer of the Company. He has the right of access at all times to the books and accounts and vouchers of the Company, and the Directors and other officers are bound to supply such information as may be required by him. The Auditor signs the Balance Sheet stating that his requirements have been complied with, and that in his opinion it is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by their books. The report is read before the Company in General Meeting.

*Balance*.—The difference between the debit and credit side of the account is called the balance or the amount required to make the debtor and creditor sides of an account equal.

The difference between the assets and liabilities in the weekly report of the Bank of England is called the "rest" and represents the undivided Profits and Reserve Fund.

*Balance Statement*.—An account showing in detail the whole of the assets and liabilities of a firm or Bank. It is usual to prepare this statement in a definite manner; the assets are set forth according to their realisable value which is designated marshalling the assets. In the same manner the liabilities are stated in a uniform manner, the Shareholders' Capital being stated first.

The statement also includes the Profit and Loss Account.

*Bill of Entry*.—A written account of goods imported or exported which pass through the Custom House.

*Bill of Exchange*.—An unconditional order in writing addressed by one person to another signed by the person giving it requiring the person to whom it is addressed to pay on demand or at a fixed or

determinate future time a sum certain in money to or to the order of a specified person or to bearer.

*Bills Payable.*—A term applied to Bills of Exchange which form part of the liabilities of a firm or individual. Such documents are usually accepted by the drawee who becomes liable for the payment of the same at maturity.

*Bills Receivable.*—A term applied to Bills of Exchange which are held by a firm or individual and form part of the assets since the holder expects to receive payment of the same at maturity.

*Book Debts.*—All debts owing to or from a merchant as stated in the books.

*Broker.* A Mercantile Agent who is employed to buy or sell goods or merchandise. He must act strictly in accordance with the instructions given him or else he forfeits his right to remuneration.

*Brokerage.*—The commission payable to a broker for his services.

*Call.*—A term used to express an instalment of the Capital of a Joint Stock Company which a shareholder is called upon to pay in accordance with the terms upon which shares or stock were issued.

*Call Money.* The surplus assets of Banks which is lent to bill brokers at an agreed rate of interest and repayable on demand.

*Capital Account.*—An account opened in the Ledger for showing the amount of Capital invested in a business and may be described as the surplus assets over the liabilities. In a Bank it would represent the Shareholders' Capital.

*Case of Need.*—This statement is sometimes placed on a Bill of Exchange giving the name of a person who will guarantee payment for the honour of the drawer or one of the indorsers in case the bill is not paid at maturity. The usual form is, "In case of need apply to A. B." If a person accepts a bill under such circumstances he becomes the acceptor for honour, and if paid by him the payer for honour.

*Cash Account*—A statement with particulars showing the amounts paid in or drawn out from a Bank.

*Cash Credit.*—A credit granted by a Bank on security being given, either personally or on the guarantee of another person. By such means a customer is allowed to overdraw his account within certain limits.

*Cheque.*—A Bill of Exchange drawn on a banker payable on demand.

*Credit.*—The right-hand side of an account, which is a record of amounts received from the giver. Thus if goods are sold by F. Jones

to W. Smith, the former is debited and the latter is credited. In a Bank the term is used to express the amount paid into a Bank for a customer's credit. The term may also be used to represent the financial position of any person who is said to be of good credit.

*Credit Note*—A note sent to a person stating that his account has been credited with the amount quoted. It is usually given when goods are returned or an allowance is made from the next account of purchases.

*Current Account*.—A term used by Banks to designate the drawing account of a customer, showing the receipts and payments.

*Debit*.—The receiver of anything, either in the shape of goods or money, is called the debtor. The left hand of an account is designated the debit side

*Deposit Account*.—The amount lodged with a Bank at a fixed or fluctuating rate of interest. In London the rate is dependent upon the Bank of England rate of discount and is usually  $1\frac{1}{2}$  per cent below the official quotation. These accounts are kept quite distinct from the Current Accounts.

A Deposit Receipt is given to the depositor stating the terms under which the deposit is received

*Depreciation Account*—A term applied to an amount set aside to cover the loss in the value of Stock, such as buildings, machinery and plant, which have depreciated in consequence of wear and tear. In Bank accounts the fall in the value of Stocks and Shares must be taken into account by writing down the value to current prices

*Discount*.—The difference between a sum of money due at a future period and its present value, or the deduction that is made from the amount of a debt which is paid before it becomes due. Bankers deduct interest from bills which are discounted and not true discount.

*Dividend*.—The profits of a Company which are divided amongst the shareholders of a Company. The term is also used when a return is made to creditors from a bankrupt's estate.

*Docket*.—To indorse letters or other documents with a summary of the contents. In the case of letters only the name of the correspondent and the date is indorsed. A term also applied in Banks to forms used by cashiers for recording particulars of credits and debits which are posted in the Ledgers.

*Documentary Bills*.—Bills of Exchange which have various documents, such as Bills of Lading, Invoices and Policies of Insurance,



attached to the same. It is not customary to deliver up such documents until acceptance or payment at maturity.

*Documentary Credit.*—A credit which is opened at a Bank on condition that certain securities are deposited as cover for the amount of the credit.

*Domiciled Bill.*—A Bill of Exchange which is not payable at the place of business of the drawee or acceptor, but with another firm stated on the bill.

*Double Entry.*—A term applied in book-keeping to a system of accounts which is based upon two entries for every transaction.

*Draft.*—A term usually applied to Bills of Exchange, but it is sometimes also used to designate cheques drawn upon a Bank.

*Drawee.*—The person upon whom a Bill of Exchange is drawn —a drawee does not incur any liability upon a bill until he accepts the same, when he becomes the acceptor.

*Drawer.*—The person or firm who draws a Bill of Exchange or cheque. The drawer of a bill engages that on due presentment it shall be accepted, and also that it will be paid at maturity, and that if it is dishonoured he will compensate the holder or any indorser who is compelled to pay it provided that the requisite proceedings on dishonour have been duly taken.

*E.E., E. & O.E.* Errors Excepted, Errors and Omissions Excepted.—These letters are sometimes written on invoices and accounts so that if any errors or omissions be afterwards discovered the invoice may be corrected.

*Extend.*—A term applied to accounts where the totals of money are extended into another column.

*Fixed Assets.*—A term applied to that portion of property which is of a fixed character, such as Machinery, Trade Fittings, Business Premises.

*Floating Assets.*—A term applied to that portion of property which is more of a liquid character, such as Stock in Trade, Book Debts, Money and Securities.

*Folio.*—The page of a book—two pages of a Cash Book with receipts and payments form one folio.

*Freight.*—Charges made for carrying goods by water, or the cargo of a ship.

*Goodwill.*—The value of a business as a going concern over and above the capital invested in the same. It is usual to set aside a portion of the profits annually in order to extinguish this asset.

*Gross Profits.*—A term applied to the whole of the profits of a business before the expenses of management are taken into account.

*Guarantee.*—A contract whereby one person undertakes to be answerable for the payment of a debt or the performance of some act on the part of a third person who must be bound to pay the debt or perform the act. The guarantor is only liable on the failure of the debtor to carry out his agreement. The guarantee must bear a six-penny stamp, as it is an agreement under hand.

*Hypothecation.*—An act whereby property of any description is pledged or mortgaged. The term Letters of Hypothecation is used in Banks to designate documents of a varied character which pledge securities for the repayment of loans.

*Impersonal Accounts.*—Accounts which are of an impersonal nature, such as Charges, Salaries, Bills sent for Collection, Suspense, Profit and Loss.

Such accounts are sometimes kept in a separate Ledger.

*Imprest System.*—This system applies to the method of keeping the Cash Book by which Petty Cash is debited a specified sum, the amount subsequently expended being obtained by debiting the various Ledger Accounts.

*Income Account.*—An account which is a record of the income derived from the profits of a business or of investments.

*Indemnity.*—A contract for the purpose of insuring against losses which may arise in consequence of fire or accidents of any description.

A letter of indemnity is sometimes required by Banks when cheques are guaranteed in consequence of irregularities in indorsements or some other defects.

*Indorse.*—To sign on the back of any Cheque, Bill of Exchange or other document the name of the payee or the person named therein, the effect being to assign or give a receipt in accordance with the terms of the instrument. The person who indorses such a document is known as the indorser. The indorsement must be written by, or by the authority of the payee.

*Inland Bill.*—A Bill of Exchange drawn and payable within the United Kingdom or drawn within the United Kingdom upon some person resident therein. For the purpose of being stamped as an Inland Bill it must be drawn or expressed to be payable or actually paid or indorsed or in any manner negotiated in the United Kingdom.

*Insolvent.*—A term applied to firms or individuals who are unable to pay their debts as they fall due in the ordinary course of trade or business.

*Insurance.*—A contract by which insurance offices agree to make good to the party insuring any losses sustained through fire or other accidents.

*Interest.*—A charge made by the lender of Capital to the borrower. The partners in a firm are entitled to interest on the amount of Capital invested in a business. It is calculated at so much per cent. per annum.

In the case of Banks interest is charged on advances either in the shape of loans or discounts, such assets represent the investments of the depositors' money.

*Interim Dividend.*—A dividend declared before the whole of the profits can be ascertained. Instead of debiting profit and loss for the amount, a Suspense Account might show the transaction until the final balance statement is prepared. It is usual to provide for this contingency in the Articles of Association, and at the next general ordinary meeting the shareholders are asked to confirm the payment before the declaration of a further dividend.

*In Transitu.*—A Latin term signifying in course of transmission or on the way.

*Investment.*—The amount of Capital expended in the purchase of shares, houses, land or property of any kind upon which a return is expected in the shape of interest or profit. In the case of Banks the investments held are more than the Share Capital, the excess representing part of the deposits.

*Invoice.*—A statement giving full particulars of the price, description and quality of goods sold or consigned. It is usual to attach the invoice together with other documents to Bills of Exchange when goods are either exported or imported.

*I.O.U.*—An acknowledgment of debt, being an abbreviation of "I owe you," and is merely a memorandum of a debt, and the production of the same is evidence of an account between parties. It is not negotiable and does not require a stamp.

*Joint Account.*—An account which is opened in the names of two or more persons for any specified purpose; the authority of all the persons is required before dealing with same.

*Journal.*—This book is used for the purpose of showing the totals of all transactions in a convenient manner for entry in the Ledger. It may also be utilised for original records of items which are not entered in Cash Books, Bill Books, etc., such as transfers from one account to another or transactions between partners in a firm.

The General Cash Book or Day Book in a Bank is utilised for such

entries; a Journal being also kept for the purpose of recording all securities deposited for safe custody or against loan.

*Ledger.*—The principal book of account in which all transactions are classified and arranged so that all accounts whether personal or impersonal appear either as debtor or creditor. In a Bank a complete statement of its financial position can be obtained from the General Ledger. When entries are made from other books it is called "posting" the Ledger.

*Letter of Credit.*—A request by a Bank or other person to a correspondent abroad authorising the latter to pay the holder an equivalent amount not exceeding the sum mentioned in the credit against his Drafts upon the Bank. A *Circular Letter of Credit* is a similar document addressed to *all* the correspondents of the Bank requesting them to pay the holder any sums required less charges, but not exceeding the amount stated which must be endorsed on the credit by the correspondent who is re-imbursed by Drafts drawn by him upon the Bank.

*Liabilities.*—All debts owing or which may be owing by a firm or individual are termed liabilities. In the case of a Bank the liabilities are Shareholders' Capital, the Reserve Fund, the amount due to depositors, Acceptances, etc.

*Limited Liability.*—A term which means that the shareholders of a limited com. any are only liable for the amount of their share capital which may be fully or partly paid.

*Liquid Assets.*—A term applied to assets which are without difficulty converted into cash. In the case of a Bank the liquid assets would consist of Cash in hand, Money at Call, Cash at the Bank of England, Government and other Securities which can easily be sold in the market, and also short dated bills of a first-class character.

*Liquidation.*—The realisation of the assets of a firm or company or individual and the payment of the same to the creditors.

*Marginal Credit.*—A document authorising the addressee to place a certain amount at the disposal of the holder who must follow the instructions given in the margin.

*Marshalling Assets.*—A term applied to the method of placing the assets according to their liquid character. The assets of a Bank are marshalled as follows: Cash in hand, Cash at the Bank of England, Money at Call, Government and other Securities, Bills of Exchange, Loans and Bank Premises.

*Net.*—The amount remaining after all deductions for expenses, discounts or other charges.

*Net Cash.*—A term applied to a bill for goods to be paid without any allowance or discount.

*Net Proceeds.*—The amount remaining after all charges, expenses and commission have been deducted.

*Not Negotiable.*—These words are sometimes used in connection with the crossing of a cheque as a protection in case a cheque is lost or stolen for the purpose of limiting the rights of a holder to deal with it. The Bills of Exchange Act states: "Where a person takes a crossed cheque which bears on it the words not negotiable he shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had".

*Open Account.*—An account which has not been settled.

*Outstanding Accounts.*—Accounts which appear in the Ledger which have not been paid.

*Overdraft.*—A term used by Banks for the advances to customers who are allowed to overdraw their Current Accounts.

*Pass Book or Bank Book.*—A book supplied by Banks to their customers which gives a copy of the Ledger Account, of receipts and payments.

*Payee.*—A person to whom or to whose order the amount specified in a Bill of Exchange or cheque is payable.

*Paying-in Slip.*—A form supplied by Banks to their customers for the purpose of giving particulars of coin, bank-notes, cheques, etc., paid in for their credit.

*Personalty.*—A term used to express all property, such as money, goods, debts, furniture, other chattels and leasehold interests in lands.

*Plant.*—All fixtures, tools, machinery, implements or other requisites necessary to carry on a business.

*Posting.*—A term used to express the copying of entries from the Journal or other books or Vouchers into the Ledger.

*Profit and Loss.*—The losses and gains of any commercial undertaking. The net gains derived from a Company's trading after making provision for a Reserve Fund, bad and doubtful debts and other accounts for which it is necessary to have a reserve, are divided amongst the shareholders in the shape of a dividend which must be earned and not taken from Capital. In stating a Profit and Loss Account it is usual to state the profit on the right or creditor side and the loss on the left or debtor side.

*Pro Forma.*—As a matter of form. *Pro Forma* documents are usually drawn up in a prescribed form according to the usage of trade custom.

*Promissory Note*.—An unconditional order in writing made by one person to another signed by the maker engaging to pay on demand or at a fixed or determinable future time a certain sum in money to or to the order of a specified person or to bearer.

*Protest*.—A formal certificate drawn up by a notary to attest some fact such as the dishonour of a Bill of Exchange. A written declaration sworn to by the master of a vessel setting forth the cause of and circumstance attending damage to the vessel or cargo.

*Proxy*.—A document which appoints one person to act for another.

*Rebate*.—An allowance of discount made on retiring a Bill of Exchange. The rate of interest varies, but in London it is  $\frac{1}{4}$  per cent. above the deposit rate allowed by Banks. Rebate is shown in the half-yearly accounts of a Bank, being the discount received on Bills of Exchange not matured. This can be ascertained by taking the average rate of discount during the preceding six months, or the actual amount of interest received on bills discounted can be taken into account. Some Banks always calculate Rebate at 5 per cent.

*Remittance*.—A term used for cash articles sent by correspondents for collection, such as bank-notes, cheques and drafts.

*Reserve Fund*.—A portion of the profits of a firm or individual set aside to meet contingencies which may arise, such as bad debts or other possible losses. The Reserve Fund of a Bank is usually invested in first-class marketable securities.

*Retire a Bill*.—To take up a bill before maturity; when this takes place the person who wishes to retire the bill usually receives interest from the day when it is taken up to the date of maturity.

*Returns*.—This term is used at the Clearing House for all cheques or bills which after being presented through the Clearing House are returned unpaid. The term is also used in connection with the weekly, monthly or half-yearly statements sent by Branches to the Head Office.

*Revenue Account*.—The Profit and Loss Account of a Limited Company is so designated and such account bears all the cost of repairs and renewals. As a rule expenditure which does not increase the profits should be charged to revenue, whilst Capital which adds to the value of the undertaking can be debited to Capital Account.

*Salvage*.—Compensation allowed to persons by whose exertions a vessel and cargo are saved from danger or loss. The term also expresses the amount of goods recovered from fire or shipwreck.

*Schedule*.—A formal list or inventory prepared for legal or

business purposes. It must have the titles and descriptions expressly given and be properly attested.

*Shipping Documents.*—Various papers attached to Bills of Exchange sent for collection, which usually include the invoice of the goods shipped, the insurance policy, and a complete set of Bills of Lading.

*Short Bills.*—This term is used to express Bills of Exchange payable within a short period of time and left for the purpose of collection at maturity.

*Sinking Fund.*—A certain amount set aside for the purpose of the redemption of debt or for the repayment of money which has been borrowed by a Government, Corporation, Firm or Company. Losses are sometimes provided for by setting aside a portion of the profits so as to form a sinking fund.

*Solvent.*—A firm or individual which has sufficient assets to meet its liabilities is said to be solvent.

*Standing Order.*—A request of a customer of a Bank to make certain periodical payments, such as Fire and Life Insurance Premiums.

*Statement of Account.*—A periodical account giving particulars of goods supplied by one firm to another. In a Bank statements of account are sent at stated intervals to foreign and other correspondents.

*Stock.*—Raw Material used for the purpose of manufacture. Goods in store or on sale—the Capital of a Company which has been subscribed by shareholders—the debt of a Government or Municipality on which interest is paid.

*Stock in Trade.*—Goods or merchandise which a firm holds. The term also includes fittings, furniture, tools or other appliances required for a commercial undertaking. The stock in hand should not exceed an amount equal to about eighteen months' turnover.

*Stock-taking.*—A periodical valuation of all stock in trade which is required in order to prepare the Profit and Loss Account and a Balance Sheet.

*Storage.*—A charge is usually made for storage when goods are deposited in a warehouse, or in any other place for safe custody.

*Suspense Account.*—An Impersonal Account opened in the Ledger for the purpose of debiting or crediting amounts which cannot be carried to the correct account until further particulars are received. Charges are deducted from bills or cheques sent for collection by means of crediting the proceeds to a Suspense Account.

*Tale Quale.*—This term means according to sample, and refers to

the cargo of a ship which is held to be the same as the sample, the buyer taking the risk of any damage that may hereafter arise with the cargo.

*Tare*.—An allowance made to the purchaser by deducting from the gross weight of the goods the weight of the case, bag or chest in which the goods are packed.

*Trade Discount*.—The customary allowance in the shape of interest which the manufacturer deducts from his prices and allows to the retail dealer.

*Usance*.—A certain period of time allowed by custom for the currency of Bills of Exchange between various countries.

*Value in Account*.—When a Bill of Exchange is drawn with these words it means that there is an account existing between the drawer and drawee and that the Bill represents payment on account.

*Value Received*.—These words are used on a Bill of Exchange to indicate that the drawee who becomes the acceptor has received consideration from the drawer. Such words are, however, not necessary since consideration is always presumed.

*Voucher*.—Any statement in writing which serves to attest a certain act, such as the payment of money. Cheques and credit forms are known as vouchers.

*Warrant*.—A receipt for goods deposited in a warehouse, transferable by indorsement. This document requires a three-penny stamp. The term is also used in connection with certificates issued by a Company to represent the number of shares held by the shareholder.

*Waste Book*.—A book used for the purpose of recording purchases or sales of goods before entry in the Journal. The Waste Book of a Bank is utilised for the subdivision of the various cash articles, such as coin, notes, cheques, etc., paid in for a customer's credit.

*Winding up*.—A term applied to proceedings which take place when a Joint Stock Company ceases to exist; the creditors being first paid and the balance of assets, if any, divided amongst the shareholders.

*Write Off*.—When various accounts in the Ledger are closed any difference which represents a loss is transferred to Discount and Allowance Account or to Bad Debts Account. The same process is adopted when the book value of Goods Account is reduced and the amount written off transferred to Profit and Loss.





## INDEX.

### ABBREVIATIONS, 182.

Acceptance Cash Book, 78.

—— Journal, 76.

—— Ledger, 78.

Acceptances, 76.

Accounts, Bank, 46.

—— Current, 56.

—— Machinery, 42.

—— Real, 20.

—— Trading, 38.

—— Wages, 25.

Advice Book, 76.

—— Diary, 76.

Agency of Country and Foreign Banks, 87.

Appropriation Account, 39.

Assets, 1.

Audit, 134.

BAD Debts, 33.

Balance Statement, 39.

—— of Bank, 128.

Balances, 39, 144.

—— of General Ledger, 91.

Bank Accounts, General Principles, 46.

—— Notes, 47, 54.

—— of England Account, 47.

Banker's Pass Book, 56.

• Bill Book, 26, 72.

—— Brokers, 79, 131.

—— Diary, 73.

—— Journal, 73.

Bills, Bank, 131.

—— of Exchange, 25, 72.

—— for Collection, 72.

—— Payable, form of Books, 26.

—— Receivable, form of Books, 26.

Book-keeping, Single Method, 2.

—— Double Method, 2.

—— Mixed Method, 2.

Bought Book, 21.

Branch Banks, 105.

—— Book-keeping, 105.

—— Returns, 114.

CAPITAL, 1.

Cartage, 86.

Cash Account, 3.

—— Book, form of, 9, 17.

—— Books of Banks, 54, 55.

—— Petty, 15, 18.

—— Summary Book, 70.

Charges, 31, 102.

Charitable Institutions, 18.

Cheques, 51.

Circular Notes, 89.

Classification of Cheques, 51.

Clearing System, 62.

Closing Entries, 103, 125.

Collateral Securities, 131.

Commission Account, 35.

—— on Acceptances, 36.

Company Accounts, 39, 47.

Consols, 95.

Contingency Account Liability, 44

Contracts, 25.

Costs Book, 25.

Country Cheques, 63.

—— Clearing, 63.

Coupon Account Register, 83.

Credit Slips, 54.

Current Accounts, 53.

DAILY Balance of Bank, 68.

Postings, the advantage of, 20.

Day Book, description of, 6.

Debentures, 170.

Debtor and Creditor, definitions of, 6.

Deposit Accounts, 53, 58.

—— Ledger, 59.

Receipts, 58.

Depreciation Account, 41.

Diary Bill, 73.

Discount of Bills, 73.

—— Cash Book, 75.

—— Ledger, 75.

—— Register, 74.

- Dockets, 54, 83.  
 Double Entry, definition of, 2.  
  
 ERRORS of Debiting instead of Crediting, 13.  
 Examinations on Book-keeping, 142  
 Exchange, Bills of, 25.  
  
 FIXED Capital, 2.  
 Floating Capital, 2.  
 Folio, use of term, 20.  
 Form of Balance Sheet, 44, 129.  
 ———— Bought Book, 8.  
 ———— Cash Book, 13, 91.  
 ———— Day Book, 7.  
 ———— Journal, 10.  
 ———— Ledger, 19, 56.  
 ———— Sales Book, 23.  
  
 GAINS, 33.  
 General Balance Statement, 39, 128  
 ——— Cash Book, 90.  
 ——— Ledger, 95.  
 Glossary, 183.  
 Goods Account, 5.  
 Goodwill, 43.  
  
 HALF-YEARLY Returns, 117.  
 Head Office and Branch, 105.  
 ——— Cash Account, 107.  
 House Cheques, 54.  
  
 IMPERSONAL Accounts, 59.  
 ——— Ledger, 95.  
 Imprest System, 14.  
 In Clearing, 64.  
 Inspection, 131.  
 Interest, 82.  
 Invoices, 21.  
 Italian Journal, 10.  
  
 JOURNAL, 9.  
 ——— Bill, 73.  
 ——— Italian Form, 10.  
 ——— Modern Form, 11.  
 ——— Uses of, 9.  
 Journalising, 11.  
  
 LEDGER, form of, 18.  
 ——— Bank, forms of, 56.  
 Letters of Credit, 89.  
 Liabilities, 48.  
 Limited Liability Company, 1, 89.  
 Loan Ledger, 80.  
 Loans, 80.  
  
 LOSSES, 31.  
 Losses, 33.  
  
 MACHINERY Accounts, 42.  
 Manufacturers' Books, 23.  
 Marshalling Assets and Liabilities, 43.  
 Merchandise, 5, 24.  
 Metropolitan Clearing, 63.  
 Mixed System of Book-keeping, 26, 77.  
 Money, 69.  
 Monthly Returns, 115.  
 Monthly Returns of Cash, 101.  
  
 OPENING Entries, 12.  
 Order Book, 25.  
 Out Clearing, 64.  
 Overdrafts, 92.  
  
 PAID Cash Book, 55.  
 Pass Books, form of, 56.  
 Petty Cash Book, 15.  
 Posting, 20.  
 Principal Books of Bank, 50.  
 Private Expenses, 15.  
 ——— Ledger, 45.  
 Profit and Loss, 80.  
 ——— how balanced, 33.  
  
 QUESTIONS on Book-keeping, 144  
  
 RABATE, 92.  
 Received Cash Book, 54.  
 Reconciliation Statement, 18.  
 Registration of Stocks, 82.  
 Reserve Fund, 90.  
 Returns Book Inwards, 25.  
 ——— Outwards, 25.  
 ——— from Branches to Head Office, 112.  
 Revenue Account, 39.  
  
 SALARIES Account, 38, 59.  
 Sales Book, 23.  
 Securities, 82.  
 ——— Journal, 82.  
 ——— Ledger, 83.  
 Settlement at Clearing House, 66.  
 Share Ledger, 48.  
 Shares in Companies, 39.  
 Short Bills, 72.  
 Single Entry, definition of, 2.  
 ——— System of, 3.  
 Specimens of Balance Sheets, 167.  
 Stamp Account, 15.  
 Stock, 5, 38.  
 ——— Book, 23.  
 ——— Ledger, 85.

- Subsidiary Books, 21.  
—— of Bank, 50.  
Supplementary—Paid Cash Book, 55.  
Suspense Account, 59.
- TIME Book, 25.  
Total System, 113.  
Town Clearing, 63.  
Trading Account, 38.
- Transfer Deed, 84.  
—— Register, 84.  
Trial Balance, 41.
- Wages Book, 25.  
Warehouse Book, 23.  
Warrant Ledger, 81.  
Waste Book, 54.  
Weekly Returns, 114.



